



CITY AUDITOR'S OFFICE

FY 2023/24 Financial and Compliance Audit

December 4, 2024

AUDIT REPORT NO. 2501

CITY COUNCIL

Mayor David D. Ortega

Tammy Caputi

Tom Durham

Vice Mayor Barry Graham

Betty Janik

Kathy Littlefield

Solange Whitehead



Honorable Mayor and Members of the City Council:

Enclosed is the City's FY 2023/24 Financial and Compliance Audit reports. The City contracted with the certified public accounting firm of Heinfeld, Meech & Co., P.C. to complete the audits of the City's financial statements and required compliance reports. The audits included the City and its five component units: four Community Facilities Districts, and the Scottsdale Municipal Property Corporation.

The City Auditor's Office monitors the audit contract and submits the reports to the Audit Committee for review. At its November 18, 2024, regular meeting, the Audit Committee recommended the Council accept the reports. The financial and compliance reports were subsequently presented by the CPA firm at the December 4, 2024 regular meeting and accepted by the City Council.

In the Independent Auditor's Reports on the City's annual comprehensive financial report and on the annual financial reports of each of the component units, Heinfeld Meech concluded that the financial statements present fairly, in all material respects, the financial position, changes in financial position and, where applicable, cash flows of the specified activities and funds, and the budgetary comparison information for the General Fund.

If you need additional information or have any questions, please contact me at (480) 312-7851.

Sincerely,

Lai Cluff, CIA
Acting City Auditor

Audit Committee Regular Meeting - November 18, 2024

Item 3 – Discussion and possible direction to staff regarding Report No. 2501, the City’s Financial and Compliance Audit for FY 2023/24, performed by Heinfeld Meech & Co., P.C.

Requested Action:

The Audit Committee recommend to the City Council acceptance of the City’s FY 2023/24 financial and compliance audit reports.

Citywide Reports

1. [FY 2023/24 Annual Comprehensive Financial Report \(ACFR\)](#)
 - a. [Communication with Governance](#)
 - b. [Single Audit Report](#)
 - c. [Highway User Revenue Fund \(HURF\) Compliance Report](#)

Component Unit Reports

2. [DC Ranch Community Facilities District \(CFD\) Annual Financial Report](#)
 - a. [Communication with Governance](#)
 - b. [Report on Internal Control over Financial Reporting and Compliance](#)
3. [McDowell Mountain Ranch CFD Annual Financial Report](#)
 - a. [Communication with Governance](#)
 - b. [Report on Internal Control over Financial Reporting and Compliance](#)
4. [Municipal Property Corporation \(MPC\) Annual Financial Report](#)
 - a. [Communication with Governance](#)
 - b. [Report on Internal Control over Financial Reporting and Compliance](#)
5. [Via Linda Road CFD Annual Financial Report](#)
 - a. [Communication with Governance](#)
 - b. [Report on Internal Control over Financial Reporting and Compliance](#)
6. [Waterfront Commercial CFD Annual Financial Report](#)
 - a. [Communication with Governance](#)
 - b. [Report on Internal Control over Financial Reporting and Compliance](#)

Annual Comprehensive Financial Report



City of Scottsdale, Arizona
For the Fiscal Year Ended June 30, 2024

Photo by Bill Timmerman; Pima Dynamite Trailhead in Scottsdale's McDowell Sonoran Preserve

City of Scottsdale, Arizona



Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2024

Prepared by:

City Treasurer's Office
Sonia Andrews, CPA
City Treasurer/Chief Financial Officer
Anna Marie Henthorn, CPA
Accounting Director



CITY OF SCOTTSDALE, ARIZONA

Annual Comprehensive Financial Report For the Fiscal Year ended June 30, 2024

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Letter of Transmittal
For the Fiscal Year Ended June 30, 2024



October 29, 2024

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

The Annual Comprehensive Financial Report of the City of Scottsdale, Arizona, (the city) for the fiscal year ended June 30, 2024, is submitted in accordance with City Charter and Arizona Revised Statutes. Both require the city to issue an annual report on its financial position and activity, and to have the report audited by certified public accountants independent of city government. This report was prepared by the city's accounting department in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

Heinfeld, Meech & Co., P.C., a firm of licensed certified public accountants, performed the annual independent audit. The goal of the audit was to provide reasonable assurance that the basic financial statements of the city are free of material misstatement. The independent auditor concluded that the city's financial statements for the fiscal year ended June 30, 2024, are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is located on the first page of the Financial Section of this report.

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

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

CITY OF SCOTTSDALE PROFILE

History

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

Current Profile

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The city is bordered on the west by Phoenix, the state capital, by Tempe on the south, the Tonto National Forest to the north, and the McDowell Mountains and the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the Phoenix Metro area which is the economic, political, and population center of the state. The city has experienced significant increases in population over the years, with the 1950 census reporting 2,021 residents, the 2020 census reporting 241,361 residents, and a current estimate of 244,394 residents. The city is the seventh largest municipality by population in Arizona, and the 93rd largest city in the United States.

Government and Organization

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

Budgetary Controls

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the city's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2024, there were no such supplemental budgetary appropriations authorized.

The expenditure appropriations in the adopted budget are by division and fund level; 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. For example, if the Public Safety Division is over budget and there are savings in the Community Services Division, City Council can authorize a budget transfer between these divisions.

LOCAL ECONOMY

Business

Scottsdale is one of the state's leading job centers with a robust economy anchored by biomedical science companies, high-tech innovation, tourism, financial services, and corporate headquarters. Almost 34,000 companies do business in Scottsdale, creating more than 200,000 jobs. The high-tech innovation center SkySong, located a few miles from downtown Scottsdale, is designed to help companies grow through a unique partnership with Arizona State University. Scottsdale's downtown, Old Town Scottsdale, is an emerging center for high-tech businesses, and home to one of the most successful shopping centers in the southwest United States, Scottsdale Fashion Square. To the north, Scottsdale Airpark is the city's largest employment area, and the Scottsdale Cure Corridor is a partnership of premier healthcare providers and biomedical companies.

Tourism

Tourism is one of Scottsdale's largest and most vibrant industries and is a significant contributor to the city's economy. With great weather, breathtaking scenery, and a calendar full of special events, Scottsdale is a popular tourist destination in Arizona that welcomes millions of visitors annually. The city boasts many hotels, including several world-class resorts, along with spectacular spas, trend-setting dining, and one of a kind Sonoran Desert golf courses.

Transaction Privilege (Sales) Tax

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

Sales tax revenue represented 42.2 percent of General Fund revenues for fiscal year 2024, totaling \$192.7 million. The year-over-year decrease of 3.4 percent in the General Fund sales tax revenue for fiscal year 2024 was partially due to the city experiencing record-breaking attendance at city-hosted events, including Super Bowl related activities, in 2023. Categories with the highest reported tax revenues in fiscal year 2024 were miscellaneous retail stores, rentals, and other taxable activity, which primarily includes amusement, manufacturing, wholesale, and services with retail. The city expects a slight increase in General Fund sales tax revenues overall in fiscal year 2025, realigning with pre-pandemic historic growth trends. The city also factored into the forecast the elimination of the residential rental tax that goes into effect in January 2025.

Property Values

Scottsdale is a safe, family-friendly community and benefits from a robust assessed valuation of the properties contained within its boundaries. These strong assessed valuations contribute to Scottsdale residents experiencing lower property tax rates and higher median housing values than many of the surrounding municipalities in the Phoenix metropolitan area. Scottsdale property owners will see a decrease in the city's combined property tax rate in the coming year of \$0.0498 over the prior year. The decrease is mostly attributed to the secondary tax rate which pays for the city's expected debt service payments.

LONG-TERM FINANCIAL PLANNING

Scottsdale's five-year financial plan is based on sound financial reserves, low debt burden, and conservative revenue growth forecasts. The city anticipates a modest increase in overall revenues for the five-year financial forecast with anticipated revenues returning to normal historical growth trends. The city will continue to focus on efficient spending to maintain essential city services to the community such as police, fire, transportation, and social services. Achieving and maintaining fiscal stability requires many elements all working in concert with each other. The following identifies key elements of our financial plan.

Adopted Comprehensive Financial Policies

Financial policies establish 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 adopted 14 comprehensive financial policies governing revenue management, expenditure management, fiscal planning and budgeting, capital assets maintenance and replacement, cash and investments, debt, grants, risk management, reserves and fund balance, pension funding, tourism development, economic development, enterprise funds, and accounting, auditing, and financial reporting. Regular review and refinement of these policies is completed in conjunction with financial plan development and policies that are adopted annually by the City Council.

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

Financial Resources Planning

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

Multi-Year Operating Budget Planning

Multi-year budgeting encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to community expectations and broad goals of the City Council. Scottsdale builds a five-year financial plan to help anticipate future impacts and ensure achievement of the city's long-term objectives. Additionally, the city adopts annual budgets for operating funds and five-year Capital Improvement Plans budgets.

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; and statutory limitations and market factors affecting interest costs. In all cases, a long-term analysis is made considering the debt capacity that fits the financial wherewithal (and willingness) of the community to pay for the capital projects. Sizing of the city's Capital Improvement Plan based on debt capacity in conjunction with conservatively estimated revenues helps stabilize per capita debt and lower annual debt service costs to the city over the long-term.

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

The city retained credit ratings of "Aaa," "AAA," and "AAA" from the three major credit rating agencies (Moody's Investors Service, S&P Global, and Fitch Ratings, respectively) on the city's outstanding General Obligation bonds where debt service is supported by property taxes. Scottsdale is one of a select number of cities in the nation to earn this distinction. Ratings for the city's revenue bonds, where debt service is supported by enterprise revenues or excise taxes, are also highly rated by the three major credit rating agencies. A summary of the city's bond ratings follows:

City of Scottsdale Bonded Debt Ratings
As of June 30, 2024

	Moody's Investors Service*	S&P Global	Fitch Ratings
General Obligation (GO)	Aaa	AAA	AAA
Municipal Property Corp (MPC)	Aa1	AAA	AA+

*In August 2024, Moody's Investors Service upgraded the MPC rating to Aaa.

MAJOR INITIATIVES

The city’s adopted fiscal year 2025 budget reflects moderate increased revenue projections in the local economy resulting from interest earnings from city investments, the new ambulance transportation services, building permits fees and charges, offset by anticipated reductions in the city’s proportionate slice of state-shared incomes tax, sales tax, and vehicle license fees, primarily due to the state’s switch to a flat income tax rate model. The General Fund adopted operating budget increased by \$0.6 million when compared to the fiscal year 2024, to provide core services and the priorities/policy direction of the City Council which include:

- \$8.0 million for the costs anticipated in implementing a comprehensive classification and compensation study
- \$5.6 million to establish Phase I of ambulance transportation operations
- \$4.7 million for the 2 percent market adjustment
- \$2.8 million for the citywide pay for performance program
- \$1.4 million to equip and staff the newly constructed Fire Station 612
- \$1.0 million for the vacation buyback program for eligible employees

Additionally, \$2.24 billion is included in the capital project adopted budget for the proposed five-year Capital Improvement Plan budget for fiscal year 2025. Many of the projects are part of the 2019 bond package approved by voters, which address critical infrastructure needs. Projects also include City Council and citizen priorities throughout the city. Significant projects include:

- \$153.4 million Bond 2019 program projects which include expansion of Granite Reef Senior Center, building of new swimming pools/building at Cactus Pool, lakes and irrigation improvements at Vista Del Camino Park, building a new fire station at Hayden and Loop 101 and renovating the Via Linda police station
- \$46.3 million water distribution system improvements
- \$46.0 million for Water Campus Reclamation Plant expansion
- \$42.1 million for expansion of the solid waste transfer station facility
- \$22.3 million for pavement overlay program

AWARDS AND ACKNOWLEDGMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the city for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023, marking the fifty-first consecutive year the city has achieved this prestigious recognition. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

As well, the city received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2023, 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, 2024.

Acknowledgments

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

Respectfully submitted,



Sonia Andrews, CPA

City Treasurer/Chief Financial Officer

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Scottsdale
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024



City of Scottsdale, Arizona

List of Elected and Appointed Officials

City Council

David D. Ortega, Mayor

Tammy Caputi

Tom Durham

Barry Graham

Betty Janik

Kathy Littlefield

Solange Whitehead

Charter Officers

Jim Thompson, City Manager

Sherry R. Scott, City Attorney

Lai Cluff, Acting City Auditor

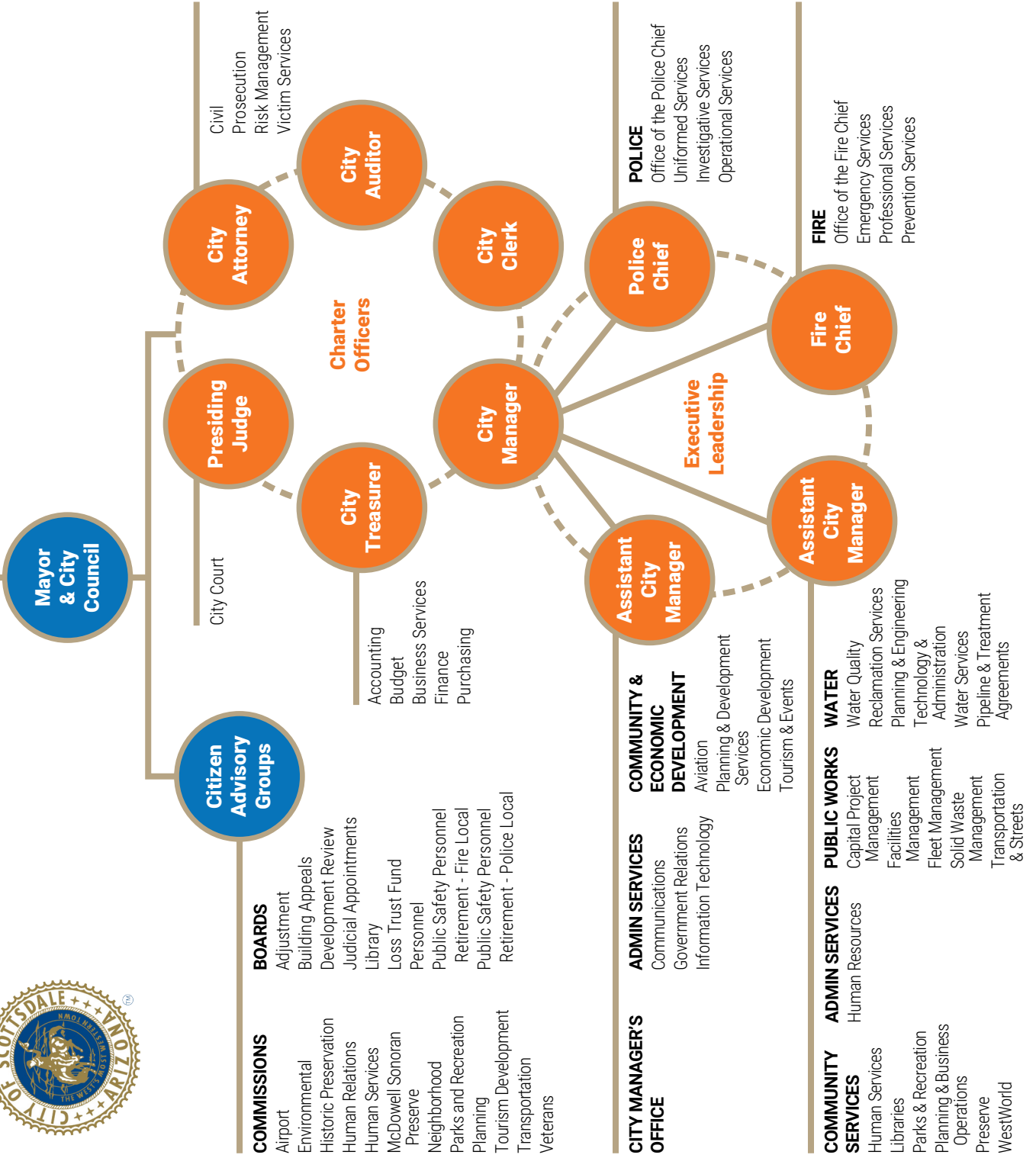
Ben Lane, City Clerk

Sonia Andrews, City Treasurer/Chief Financial Officer

Marianne T. Bayardi, Presiding Judge

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People of Scottsdale





Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Scottsdale, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 of Changes in Long-Term Debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules of Changes in Long-Term Debt information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

This section of the City of Scottsdale, Arizona's (the city) Annual Comprehensive Financial Report presents a narrative overview and comparative analysis of the financial activities of the city for the fiscal years ended June 30, 2024, and 2023. 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 Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- The city's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2024 and 2023 by \$6.8 billion and \$6.4 billion (*net position*), respectively. Of these amounts, \$614.7 million and \$518.7 million, respectively, represent unrestricted net position which may be used to meet the city's ongoing obligations to citizens and creditors.
- The city's total net position increased in fiscal year 2024 by \$379.1 million compared to an increase in net position of \$276.2 million during fiscal year 2023. Revenues increased by \$164.1 million from the prior year while expenses increased by \$61.2 million from the prior year.
- As of June 30, 2024, and 2023, the city's governmental funds reported combined ending fund balances of \$731.1 million and \$699.1 million, respectively. Approximately 26.9 percent of the current year amount (\$196.8 million) is available for spending at the city's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (*the total of the committed, assigned, and unassigned components of fund balance*) for the General Fund was \$246.4 million or approximately 65.5 percent of total General Fund expenditures of \$376.4 million.
- The city's total long-term liabilities decreased by \$107.9 million to \$1.24 billion during the current fiscal year. This decrease was primarily due to principal payments made on the city's bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Both 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 Scottsdale AZ CARES. The business-type activities of the city include water and sewer utilities, solid waste management, and airport operations.

The government-wide financial statements include not only the city itself (known as the *primary government*), but also the operations of the City of Scottsdale Municipal Property Corporation (MPC), and 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, and the McDowell Mountain Ranch, DC Ranch, Via Linda Road, and Waterfront Commercial Community Facilities Districts may be obtained at the Scottsdale City Treasurer's Office, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

The government-wide financial statements can be found on pages 35-37 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. The funds of the city can be divided into two categories, governmental funds and proprietary funds.

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The city maintains several individual governmental funds organized according to their purpose (general, special revenue, debt service, capital projects, and permanent). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Debt Service Fund, General Capital Improvement Plan (CIP) Construction Capital Projects Fund, Transportation Privilege Tax Capital Projects Fund, and the External Sources Capital Projects Fund which are considered 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 38-46 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 47-53 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-137 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the city's proportionate share of the cost-sharing multiple-employer pension plan's net pension liability, the changes in the city's net pension liabilities regarding the agent multiple-employer pension plans, schedules of contributions to the pension plans, and changes in the city's total other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 138-145 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 146-176 of this report.

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 177-181 of this report.

Statistical Information. The statistical section 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. This section can be found on pages 183-212 of this report.

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, performed financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting considers all the current year's revenues and expenses regardless of when the cash is received or paid.

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

Analysis of Net Position. As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the city, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$6.75 billion, and \$6.37 billion at the close of the fiscal years 2024 and 2023, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

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

Net Position

June 30, 2024 and 2023 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 1,124,860	\$ 1,039,511	\$ 468,285	\$ 477,198	\$ 1,593,145	\$ 1,516,709
Capital assets	5,039,614	4,866,602	1,562,353	1,504,128	6,601,967	6,370,730
Total assets	6,164,474	5,906,113	2,030,638	1,981,326	8,195,112	7,887,439
Total deferred outflows of resources	126,051	130,218	14,906	17,386	140,957	147,604
Total assets and deferred outflows of resources	6,290,525	6,036,331	2,045,544	1,998,712	8,336,069	8,035,043
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Long-term liabilities outstanding	936,391	1,018,128	301,369	327,562	1,237,760	1,345,690
Other liabilities	182,342	157,570	60,118	58,209	242,460	215,779
Total liabilities	1,118,733	1,175,698	361,487	385,771	1,480,220	1,561,469
Total deferred inflows of resources	49,399	48,498	51,546	53,350	100,945	101,848
Total liabilities and deferred inflows of resources	1,168,132	1,224,196	413,033	439,121	1,581,165	1,663,317
NET POSITION						
Net investment in capital assets	4,468,449	4,247,801	1,316,476	1,221,022	5,784,925	5,468,823
Restricted	350,415	330,043	4,907	54,119	355,322	384,162
Unrestricted	303,529	234,291	311,128	284,450	614,657	518,741
Total net position	\$ 5,122,393	\$ 4,812,135	\$ 1,632,511	\$ 1,559,591	\$ 6,754,904	\$ 6,371,726

The largest portion, 85.6 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 \$5.78 billion and \$5.47 billion as of June 30, 2024, and 2023, respectively. Although the city's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the city uses these assets to provide services to citizens and therefore cannot liquidate them.

An additional portion, 5.3 percent, of the city's net position, \$355.3 million at June 30, 2024, and 6.0 percent or \$384.2 million at June 30, 2023, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 9.1 percent of the city's total net position at June 30, 2024, and 8.2 percent at June 30, 2023, \$614.7 million and \$518.7 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of Changes in Net Position. Total revenues exceeded total expenses in the current year, resulting in an increase in the city's total net position of \$379.1 million in fiscal year 2024 compared to an increase in net position of \$276.2 million during fiscal year 2023. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and depicted in the table that follows.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Changes in Net Position

For the fiscal years ended June 30, 2024 and 2023 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues						
Charges for services	\$ 67,780	\$ 74,217	\$ 246,827	\$ 221,657	\$ 314,607	\$ 295,874
Operating grants and contributions	56,708	55,318	-	-	56,708	55,318
Capital grants and contributions	116,728	52,556	43,641	31,597	160,369	84,153
General revenues						
Property taxes	75,748	67,994	-	-	75,748	67,994
Business taxes	356,050	356,628	233	261	356,283	356,889
Intergovernmental - taxes	101,099	83,737	-	-	101,099	83,737
Intergovernmental - other	21,142	19,391	-	-	21,142	19,391
Interest and investment income	40,323	10,879	13,148	3,319	53,471	14,198
Other	16,697	14,493	-	-	16,697	14,493
Total revenues	852,275	735,213	303,849	256,834	1,156,124	992,047
EXPENSES						
General Government						
Mayor and City Council	1,027	898	-	-	1,027	898
City Clerk	968	1,090	-	-	968	1,090
City Attorney	8,059	7,679	-	-	8,059	7,679
City Auditor	1,046	1,117	-	-	1,046	1,117
City Court	7,357	6,475	-	-	7,357	6,475
City Manager	2,035	5,639	-	-	2,035	5,639
City Treasurer	11,683	10,327	-	-	11,683	10,327
Other General Government	10,567	-	-	-	10,567	-
Public Works	115,686	110,284	-	-	115,686	110,284
Community and Economic Development	51,851	49,554	-	-	51,851	49,554
Public Safety	206,102	182,910	-	-	206,102	182,910
Community Services	87,734	80,219	-	-	87,734	80,219
Administrative Services	34,605	21,486	-	-	34,605	21,486
Scottsdale AZ CARES	117	321	-	-	117	321
Streetlight and Services Districts	533	529	-	-	533	529
Interest on Long-Term Debt	16,029	15,619	-	-	16,029	15,619
Water Utility	-	-	124,386	117,079	124,386	117,079
Sewer Utility	-	-	58,401	66,634	58,401	66,634
Airport	-	-	9,685	9,257	9,685	9,257
Solid Waste	-	-	29,176	28,755	29,176	28,755
Total expenses	555,399	494,147	221,648	221,725	777,047	715,872
Increase in net position before transfers	296,876	241,066	82,201	35,109	379,077	276,175
Transfers	9,652	8,660	(9,652)	(8,660)	-	-
Change in net position	306,528	249,726	72,549	26,449	379,077	276,175
Net position - beginning	4,812,135	4,562,333	1,559,591	1,533,768	6,371,726	6,096,101
Net effect of prior period adjustment	3,730	76	371	(626)	4,101	(550)
Net position - beginning restated	4,815,865	4,562,409	1,559,962	1,533,142	6,375,827	6,095,551
Net position - ending	\$ 5,122,393	\$ 4,812,135	\$ 1,632,511	\$ 1,559,591	\$ 6,754,904	\$ 6,371,726

Governmental Activities. Net position for governmental activities increased \$306.5 million after transfers during fiscal year 2024 compared to an increase of \$249.7 million after transfers in fiscal year 2023. Total revenues increased \$117.1 million or 15.9 percent from the prior fiscal year and expenses increased \$61.3 million or 12.4 percent. Overall, revenues exceeded expenses resulting in an increase in net position.

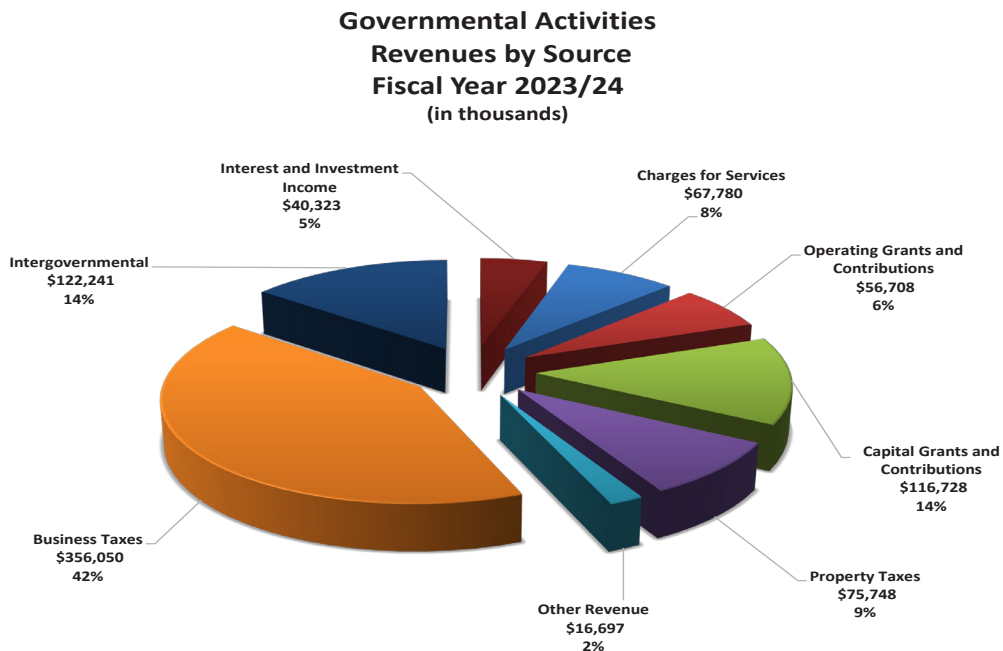
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The city experienced an increase in total revenues from governmental activities over the prior year due primarily from increases in capital grants and contributions of \$64.2 million, an increase of interest and investment income of \$29.4 million, and increases in intergovernmental taxes of \$17.4 million. The capital grants and contributions had significant increases from developer contributions from the completion of construction projects in fiscal year 2024, with 2.74 more miles of streets being contributed than the prior fiscal year. The increase in interest and investment income was primarily due to the increases in the fair market value on the city investments, representing 61.2 percent of the increase for this category. The remaining portion of the increase is attributed to interest from the city's earnings rate on the core investment portfolio increasing by over one percent from the prior year and invested balances increasing by 13 percent. The increase in intergovernmental taxes was from the city receiving more state shared revenues than the prior year due to a higher allocation to Arizona cities as well as from economic growth in the state.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. Total general revenues for governmental activities were \$611.1 million in fiscal year 2024 compared to \$553.1 million in fiscal year 2023. Intergovernmental taxes increased by \$17.4 million or 20.7 percent from the previous year due to the reasons previously stated above. The property tax category increased \$7.8 million or 11.4 percent over fiscal year 2023, primarily due to increased property tax assessed values and an increased combined tax rate of \$0.0743 per \$100 assessed valuation for this fiscal year. The secondary property tax is limited solely to support debt service payments of voter-approved general obligation bonds.

For governmental activities overall, without regard to program, business taxes was the largest single source of funds, followed by intergovernmental; capital grants and contributions; property taxes; charges for services; operating grants and contributions; interest and investment income. The other revenue category was the least significant source of revenue.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Another component of the change in net position is expense. The Public Safety Division, which is comprised of the Police and Fire Departments, is the largest expense function (37.1 percent), followed by the Public Works Division (20.8 percent), and the Community Services Division (15.8 percent).

The Public Safety Division provides police and fire/emergency services throughout the city. Expenses increased by \$23.2 million, or 12.7 percent, during fiscal year 2024 due primarily from increases in personnel costs from the city's pay for performance plan for up to five percent and market adjustment of two percent. In fiscal year 2024, the city also incurred \$1.3 million to begin establishing the municipal ambulance services, expected to begin in fiscal year 2025.

The Public Works Division consists of five departments: Capital Project Management, Facilities Management, Fleet Management, Solid Waste Management, and Transportation and Streets. Expenses were \$5.4 million, or 4.9 percent, higher than the prior fiscal year due primarily from contractual increases from electricity costs and to maintain city equipment.

The city's Community Services Division is responsible for improving and maintaining facilities, and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. The division consists of: Human Services, Libraries, Parks and Recreation, Planning and Business Operations, Preserve, and WestWorld. Expenses were \$7.5 million, or 9.4 percent, higher than the prior fiscal year due primarily from increases in personnel expenditures resulting from a two percent market adjustment and for the pay for performance plan of up to five percent.

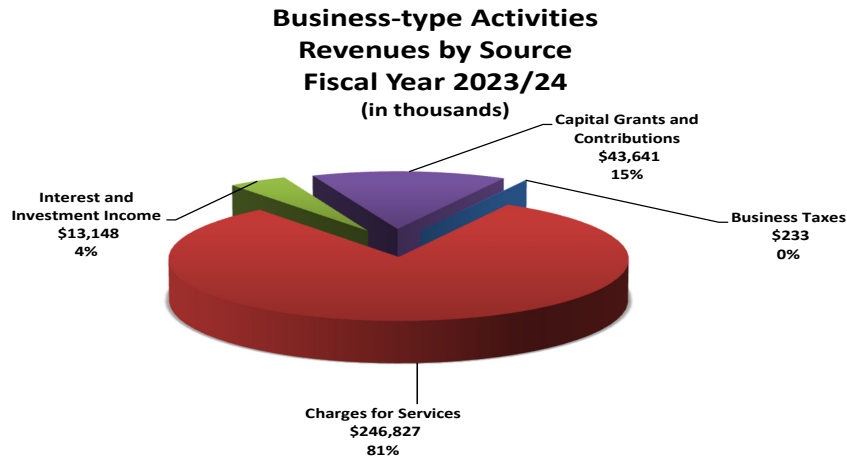
The city created the Other General Government Division this fiscal year to record the expenses associated with the Maricopa County Qasimyar Settlement. On April 5, 2024, the city received notification that a class action lawsuit against Maricopa County, resulted in a recalculation of property tax. As a result of the lawsuit, Arizona cities were provided with the amounts that were due back to the property owners which includes the refund of taxes as well as the legally accrued interest. The city's total liability provided by Maricopa County is \$10.6 million which includes portions from the city's primary property tax recorded in the General Fund and secondary property tax recorded in the General Obligation Debt Service Fund. The refunds also impacted the Streetlight Districts Special Revenue fund and several community facilities district's special revenue and debt service non-major funds. All refunds are expected to be completed in fiscal year 2025.

Business-type Activities. Net position for business-type activities increased by \$72.5 million after transfers during fiscal year 2024 compared to \$26.4 million after transfers in fiscal year 2023. Total revenues increased by \$47.0 million, or 18.3 percent, due largely from the charges for services category. The charges for services revenue category increased over the prior year due primarily from customer water usage. The usage increased by almost one billion gallons of water from the prior year in correlation with about 40 percent less rainfall in the city. Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

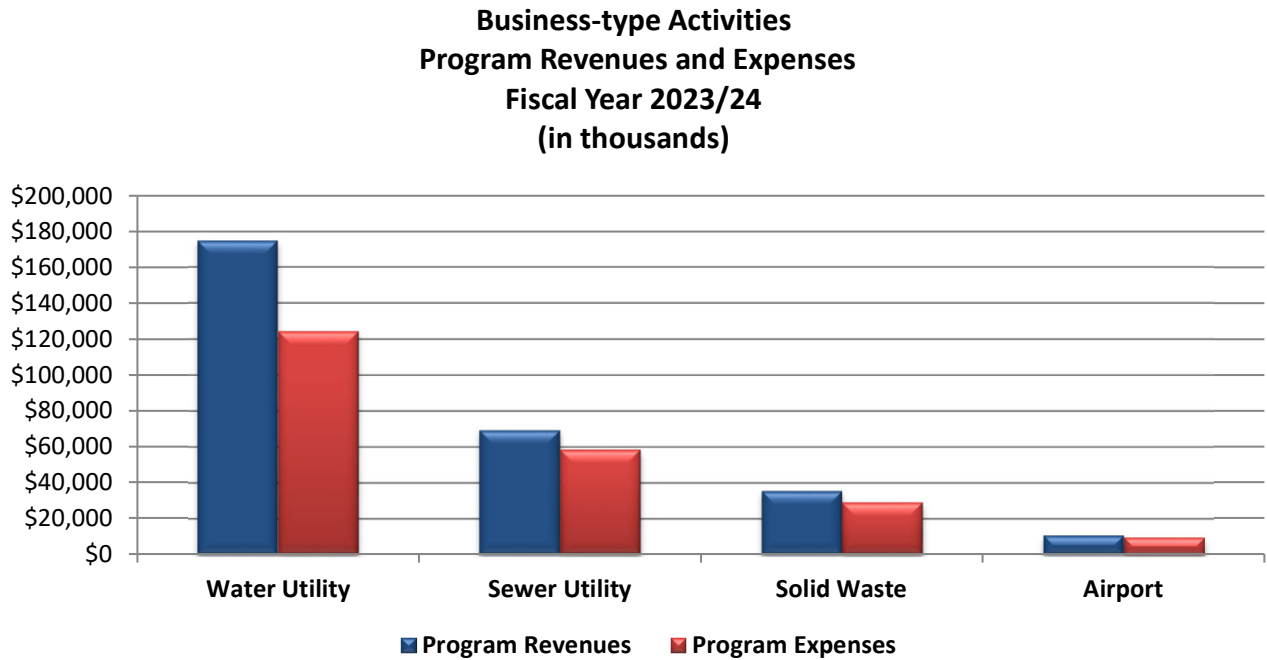
As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues, followed by capital grants and contributions. The interest and investment income and business taxes were the least significant sources of revenue.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024



As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the city's business-type activities, water utility and sewer utility, had expenses of \$124.4 million and \$58.4 million, respectively, in fiscal year 2024, followed by solid waste with \$29.2 million and airport with \$9.7 million.



The city's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2024 they provided 93,778 water connections to Scottsdale citizens. The water and sewer utility's combined expenses decreased by 0.5 percent or \$0.9 million in fiscal year 2024 compared to fiscal year 2023. The decrease in expenditures was primarily for the sewer utilities activities in reduced joint venture costs when compared to the prior fiscal year.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 84,976 residential customers in fiscal year 2024. Total program expenses increased 1.5 percent or \$0.4 million in fiscal year 2024 compared to fiscal year 2023 due primarily from increases in personnel costs from the city's pay for performance plan for up to five percent and market adjustment of two percent.

The Aviation Department operates the city's general aviation reliever facility and is home to many local corporate aircraft. More than 171,539 take-offs and landings occurred in fiscal year 2024 at Scottsdale Airport, an increase of 2.3 percent from the prior year. Total program expenses increased by 4.6 percent or \$0.4 million in fiscal year 2024 compared to fiscal year 2023 due primarily to increases in personnel related costs from the city's pay for performance plan for up to five percent and market adjustment of two percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

As of the end of the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$731.1 million, an increase of \$32.0 million from the prior year total of \$699.1 million. Approximately 26.9 percent, or \$196.8 million, of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled \$740.7 million in fiscal year 2024, an increase of 5.2 percent, or \$36.9 million, from the previous year total of \$703.8 million. In fiscal year 2024, expenditures for governmental functions totaled \$734.7 million, an increase of 12.9 percent, or \$84.1 million, from the fiscal year 2023 total of \$650.6 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$6.0 million. This was mainly due to increases from the change in fair market value of investments \$18.0 million more than the prior year, \$16.6 million in state shared revenue increases, and \$11.4 million in interest earnings this fiscal year. The additional revenues were offset by additional General CIP construction project fund expenditures and increased Public Safety Division operating expenditures. The governmental funds also recognized \$10.6 million of expenditures under Other General Government for the Maricopa County Qasimyar Settlement.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The General Fund is the chief operating fund of the city. At the end of fiscal year 2024, the unassigned fund balance of the General Fund was \$246.4 million, while the total fund balance was \$247.0 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2023 were \$226.5 million and \$227.0 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 65.5 percent of the total General Fund expenditures of \$376.4 million in fiscal year 2024 and represented 69.5 percent of the total General Fund expenditures of \$326.1 million in fiscal year 2023. Total fund balance represented 65.6 percent and 69.6 percent of total fund expenditures for fiscal years 2024 and 2023, respectively.

Overall, the General Fund's performance resulted in revenue and other financing sources exceeding expenditures and other financing uses in the fiscal year ended June 30, 2024, by \$20.0 million. Total revenues increased \$48.0 million, or 11.8 percent compared to the prior year while expenditures increased \$50.3 million or 15.4 percent. Significant reasons for the increase in revenues were the additional state shared revenues over the prior year and the change in fair market value of investments. Significant reasons for increases in expenditures were attributed to personnel related costs and capital related expenditures.

Key General Fund revenues showing an increase over the prior year included \$18.4 million in state revenue sharing, \$18.0 million for the increase in the fair market value of assets, and \$7.7 million for interest earnings. The significant increase for the state shared revenues increased is due to the state distributing an additional three percent to the Arizona cities in fiscal year 2024 and from higher state tax collections which is based on the two prior fiscal year collections. The increases in the fair value of investments is due to market fluctuations and interest earnings have increased due to higher interest rates on city investments and from higher invested balances. The most significant reduction was for privilege tax of \$6.7 million in fiscal year 2024 compared to the prior year. The reason for the reduction was due to the Super Bowl related activities in 2023 generating additional one-time tax revenues.

The Public Safety Division experienced the largest increase in General Fund expenditures, 14.1 percent, or \$25.0 million, primarily due from increases in personnel expenditures resulting from the two percent market adjustment the city provided effective this fiscal year, and up to five percent pay for performance program, and the associated retirement costs. The Administrative Services Division experienced a 33.6 percent increase or \$5.8 million partially from a reorganization moving the city's Governmental Relations and Diversity Departments from the City Manager's Division. In relation to the reorganization, the City Manager's Division experienced a decrease of 63.7 percent or \$3.2 million. The Other General Government Division was created this fiscal year to account for the Maricopa County Qasimyar Settlement which included \$4.9 million in expenditures in the General Fund. As a result of an increase in revenues and other financing sources exceeding expenditures and other financing uses, the fund balance for the city's General Fund increased in fiscal year 2024 by \$20.0 million.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest, and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$0.1 million, a decrease of \$7.2 million from the \$7.3 million balance from the prior year. The decrease in fund balance was due to increases in debt services payments not being fully offset by property taxes, resulting in the utilization of the excess fund balance. Additionally, the city recognized \$5.1 million in expenditures related to the Maricopa County Qasimyar Settlement. The settlement amounts are expected to be recovered through additional secondary property taxes restricted for debt service in fiscal year 2025.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The General CIP Construction Capital Projects Fund is used to account for the resources used to acquire, construct, and improve major capital facilities from amounts transferred from the city's General Fund. This fund also represents other City Council approved capital programs including transfers for tourism-related capital projects, in-lieu parking, and in-lieu stormwater. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$178.0 million, an increase of \$31.3 million from the \$146.7 million from the prior fiscal year, primarily from cash transfers in of \$93.6 million primarily from the General Fund resulting from increases in construction sales tax and interest income as required by the city's comprehensive financial policies and from amounts budgeted for capital projects.

The Transportation Capital Projects Fund is used to account for the portion of the transportation privilege (sales) tax dedicated to transportation capital improvements. At the end of the current fiscal year, the fund balance was \$113.6 million, an increase of \$18.2 million from the \$95.4 million balance from the prior year. The increase in fund balance was primarily due to increased cash transfers in from the transportation tax in accordance with the city's comprehensive financial policies.

The External Sources Capital Projects Fund is used to account for funds received from a variety of external sources including federal and state grants, as well as contributions restricted or committed for capital projects. At the end of the current fiscal year, the fund balance was a deficit of \$32.4 million, a decrease of \$16.2 million from the deficit balance of \$16.2 million from the prior year. The decrease in fund balance was due to timing differences for grant and intergovernmental reimbursements that are expected to be received in the next fiscal year.

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

At the end of the fiscal years 2024 and 2023, the unrestricted net position for the Water and Sewer Utility Fund was \$291.0 million and \$256.6 million, respectively; the Airport Fund was \$5.2 million and \$18.5 million, respectively; and the Solid Waste Fund was \$6.7 million and \$3.3 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had an unrestricted net position of \$52.0 million and \$45.1 million, respectively.

The total growth in net position for the enterprise funds was \$70.4 million and \$23.9 million for fiscal years 2024 and 2023, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the city's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The city adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 44 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

General Fund revenues on a budgetary basis were \$21.2 million more than projected for fiscal year 2024. The variance in revenues was primarily due to the city receiving more in transaction privilege tax, interest earnings, and light and power franchise fees than budgeted. The privilege tax was the most significant increase, consisting of \$10.2 million more revenues received than projected as the city continued to see increases in consumer spending. Expenditures of \$357.5 million were \$3.9 million less than budgeted expenditures of \$361.4 million. The largest positive expenditure variances occurred in the Community and Economic Development and Public Works Divisions. These divisions experienced savings from timing of operational projects that will be carried over to fiscal year 2025.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The city's total capital assets for its governmental and business-type activities as of June 30, 2024 and 2023 were \$6.60 billion and \$6.37 billion, respectively (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, subscription-based information technology arrangements, furniture and fixtures, public-public partnerships, and construction in progress. The total increase in the city's capital assets (net of accumulated depreciation/amortization) between fiscal years 2024 and 2023 was \$227.1 million or 3.6 percent.

Capital Assets, Net of Depreciation/Amortization

June 30, 2024 and 2023 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	*2023	2024	*2023	2024	*2023
Land	\$ 3,498,381	\$ 3,451,209	\$ 52,781	\$ 52,781	\$ 3,551,162	\$ 3,503,990
Buildings and Land Improvements	445,827	452,951	97,202	100,282	543,029	553,233
Streets and Storm Drains	680,043	681,142	-	-	680,043	681,142
Machinery and Equipment	50,093	38,184	4,947	4,762	55,040	42,946
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	815,178	799,331	815,178	799,331
Sewer System	-	-	404,067	390,120	404,067	390,120
Motor Vehicles	44,860	43,021	-	257	44,860	43,278
Furniture, Fixtures, and Office Equipment	-	-	523	746	523	746
Construction in Progress	229,048	142,756	100,385	68,889	329,433	211,645
Subscription-Based I.T. Arrangements	12,866	5,377	99	160	12,965	5,537
Public-Public Partnership Assets	78,496	55,692	-	-	78,496	55,692
Total	\$ 5,039,614	\$ 4,870,332	\$ 1,562,353	\$ 1,504,499	\$ 6,601,967	\$ 6,374,831

* Restated for the implementation of GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*.

Significant capital asset events during fiscal year 2024 included the following:

- Land:
 - \$46.4 million for land donated by developers that coincides with public street improvements for finalized permits.
- Buildings and Land Improvements:
 - \$1.5 million Civic Center Renovation
 - \$1.5 million Scottsdale Stadium Event Plaza Deck

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

- Streets:
 - \$31.1 million for public street improvements donated by developers
 - \$11.9 million for pavement overlay program
- Water System:
 - \$19.5 million for water distribution system improvements
 - \$19.2 million for developer contributions of waterline infrastructure assets
 - \$4.9 million for booster station replacement
- Sewer System:
 - \$17.1 million for developer contributions of sewer line infrastructure assets
 - \$6.6 million for wastewater system improvements
 - \$6.3 million for Crossroads East sewer improvements
- Public-Public Partnership
 - \$29.2 million for completed sports fields and fiber optic infrastructure assets
- Vehicles:
 - \$1.6 million for ambulances
 - \$1.1 million for water/sewer service vehicles

As of June 30, 2024, the city has construction commitments of \$166.1 million for current projects. Additional information on the city's capital assets can be found in Note IV.D. on page 91-94 of this report.

Long-term Debt. At the end of the fiscal years 2024 and 2023, the city had total long-term liabilities of \$1.24 billion and \$1.35 billion, respectively. Of these amounts, \$359.1 million and \$419.6 million, for fiscal years 2024 and 2023, respectively, are general obligation bonds backed by the full faith and credit of the city. The remainder includes Municipal Property Corporation bonds, net pension liabilities, and other obligations of \$878.7 million and \$926.1 million for fiscal years 2024 and 2023, respectively.

The State Constitution imposes debt limitations on the city equal to 6 percent and 20 percent of the assessed valuation of properties within the city. The city's available debt margin at June 30, 2024 and 2023 was \$675.1 million and \$542.9 million, respectively, in the 6 percent capacity and \$1.92 billion and \$1.41 billion, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.I. of the Notes to the Financial Statements and in Tables XVIa and XVIIb in the Statistical Section of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Long-term Liabilities

June 30, 2024 and 2023 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ 359,110	\$ 419,615	\$ -	\$ -	\$ 359,110	\$ 419,615
Municipal Property Corporation Bonds	153,515	167,450	204,540	226,540	358,055	393,990
Community Facilities Districts						
General Obligation Bonds - Direct Placements	5,273	6,583	-	-	5,273	6,583
Issuance Premiums	24,563	28,683	13,765	15,891	38,328	44,574
Total Bonds Payable	542,461	622,331	218,305	242,431	760,766	864,762
Contracts Payable - Direct Borrowings	1,786	1,083	-	-	1,786	1,083
Leases	3,997	2,947	116	96	4,113	3,043
Public-Public Partnerships	4,368	4,620	-	-	4,368	4,620
Subscriptions	9,811	4,363	84	144	9,895	4,507
Risk Management Claims	20,958	21,145	-	-	20,958	21,145
Compensated Absences	33,266	33,145	4,399	4,563	37,665	37,708
Total Other Postemployment Benefit Liability	863	699	-	-	863	699
Net Pension Liabilities	318,881	327,796	33,279	34,729	352,160	362,525
Pollution Remediation Obligation	-	-	45,186	45,599	45,186	45,599
Total Long-term Liabilities	\$ 936,391	\$ 1,018,129	\$ 301,369	\$ 327,562	\$ 1,237,760	\$ 1,345,691

During fiscal year 2024, the city's total long-term liabilities decreased overall by \$107.9 million due to principal payments made on the city's bonds.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the city's proportionate share of the unfunded pension liabilities for pension plans in which it participates is included in the outstanding long-term liabilities. The city's net pension liabilities at the end of fiscal years 2024 and 2023 were \$352.2 million and \$362.5 million, respectively. The decrease was due to actuarial gains from investments income and from an additional contribution to the Public Safety Personnel Retirement System plan. Additional information on the city's pensions can be found starting on page 114.

Additional information on the city's long-term liabilities can be found in Section IV.I. of the Notes to the Financial Statements on pages 100-110 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The strength of the city's economy continued to show resiliency in the current fiscal year, which was driven by consumer spending and tourism-related activity. The overall budget forecast for next fiscal year includes modest increases in forecasted revenue primarily due to interest earnings, new ambulance services, and minor increases in projected in sales tax, with reductions anticipated of state shared revenues from changes in the state's income tax rate model. In June 2024, the City Council approved a \$2.29 billion budget, which is a \$0.24 billion decrease from the prior year budget of \$2.53 billion. The adopted fiscal year 2025 budget includes \$1.20 billion for general operations, grants, operating contingencies/reserves, and \$1.09 billion for capital improvements/capital contingencies.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

Statement of Net Position

June 30, 2024 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 841,861	\$ 254,230	\$ 1,096,091
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	47,009	37	47,046
Charges for Services	-	26,240	26,240
Fines	10,249	-	10,249
Intergovernmental and Grants	70,396	1,777	72,173
Interest	5,446	2,337	7,783
Leases	33,707	15,831	49,538
Public-Private Partnerships	-	9,347	9,347
Other	11,501	3,253	14,754
Internal Balances	(8,211)	8,211	-
Supplies Inventory	1,982	-	1,982
Prepaid Items	6	2,264	2,270
Prepayments	23,596	-	23,596
Pollution Remediation Recoveries	-	45,186	45,186
Restricted Assets			
Cash with Fiscal Agent	84,481	26,128	110,609
Customer Advances and Deposits	-	1,845	1,845
Joint Venture Construction Deposits	-	4,907	4,907
Advanced Construction Payments	-	2,494	2,494
Advanced Lease Payments	-	767	767
Equity in Joint Ventures	2,837	63,431	66,268
Capital Assets Not Being Depreciated/Amortized			
Land, Water Rights, and Construction in Progress	3,727,429	240,337	3,967,766
Capital Assets, Net of Accumulated Depreciation/Amortization			
Facilities, Infrastructure, and Equipment	1,312,185	1,322,016	2,634,201
Total Assets	<u>6,164,474</u>	<u>2,030,638</u>	<u>8,195,112</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refundings	13,660	10,335	23,995
Pension-Related Amounts	111,901	4,571	116,472
OPEB-Related Amounts	490	-	490
Total Deferred Outflows of Resources	<u>\$ 126,051</u>	<u>\$ 14,906</u>	<u>\$ 140,957</u>

(continued)

Statement of Net Position

June 30, 2024 (in thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 49,361	\$ 27,227	\$ 76,588
Accrued Payroll and Benefits	12,456	1,654	14,110
Accrued Compensated Absences	78	3	81
Interest Payable	8,605	4,128	12,733
Matured Bonds, Loans, and Other Payables	75,750	22,000	97,750
Due to Other Governments	15,466	-	15,466
Unearned Revenue	9,780	-	9,780
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	2,494	2,494
Advanced Lease Payments	-	767	767
Customer Advances & Deposits	8,152	1,845	9,997
Other Liabilities	2,694	-	2,694
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	16,222	2,197	18,419
Bonds, Loans, and Other Payables	85,696	17,524	103,220
Due in More Than One Year			
Accrued Compensated Absences	17,044	2,202	19,246
Total Other Postemployment Benefit Liability	863	-	863
Net Pension Liabilities	318,881	33,279	352,160
Bonds, Loans, and Other Payables	497,685	200,981	698,666
Pollution Remediation Obligation	-	45,186	45,186
Total Noncurrent Liabilities	936,391	301,369	1,237,760
Total Liabilities	1,118,733	361,487	1,480,220
DEFERRED INFLOWS OF RESOURCES			
Leases	31,969	14,735	46,704
Pension-Related Amounts	13,111	2,099	15,210
Public-Private Partnerships	2,416	34,712	37,128
OPEB-Related Amounts	1,903	-	1,903
Total Deferred Inflows of Resources	49,399	51,546	100,945
NET POSITION			
Net Investment in Capital Assets	4,468,449	1,316,476	5,784,925
Restricted			
Debt Service	3,275	-	3,275
Transportation and Preserve Privilege Tax Activities	178,264	-	178,264
Capital Projects	132,532	-	132,532
Grants	3,003	-	3,003
Special Programs	19,579	-	19,579
Community Facilities Districts	24	-	24
Stadium Facility	5,734	-	5,734
Tourism Development	7,332	-	7,332
Endowments			
Expendable	28	-	28
Nonexpendable	644	-	644
Joint Venture Construction Deposits	-	4,907	4,907
Unrestricted	303,529	311,128	614,657
Total Net Position	\$ 5,122,393	\$ 1,632,511	\$ 6,754,904

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

Statement of Activities

For the Fiscal Year Ended June 30, 2024 (in thousands)

FUNCTIONS/PROGRAMS	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General Government							
Mayor and City Council	\$ 1,027	\$ 70	\$ -	\$ -	\$ (957)	\$ -	(957)
City Clerk	968	66	-	-	(902)	-	(902)
City Attorney	8,059	1,514	-	-	(6,545)	-	(6,545)
City Auditor	1,046	145	57	-	(844)	-	(844)
City Court	7,357	-	5	-	(7,352)	-	(7,352)
City Manager	2,035	1,198	4	-	(833)	-	(833)
City Treasurer	11,683	7,436	15	-	(4,232)	-	(4,232)
Other General Government	10,567	-	-	-	(10,567)	-	(10,567)
Public Works	115,686	67	19,097	116,194	19,672	-	19,672
Community and Economic Development	51,851	21,993	2,982	17	(26,859)	-	(26,859)
Public Safety	206,102	14,002	10,612	140	(181,348)	-	(181,348)
Community Services	87,734	18,302	22,527	377	(46,528)	-	(46,528)
Administrative Services	34,605	2,498	1,409	-	(30,698)	-	(30,698)
Scottsdale AZ CARES	117	-	-	-	(117)	-	(117)
Streight and Services Districts	533	489	-	-	(44)	-	(44)
Interest on Long-Term Debt	16,029	-	-	-	(16,029)	-	(16,029)
Total Governmental Activities	553,399	67,780	56,708	116,728	(314,183)	-	(314,183)
Business-type Activities							
Water Utility	124,386	151,260	-	23,463	-	50,337	50,337
Sewer Utility	58,401	50,924	-	18,411	-	10,934	10,934
Airport	9,685	10,905	-	1,767	-	2,987	2,987
Solid Waste	29,176	33,738	-	-	-	4,562	4,562
Total Business-type Activities	221,648	246,827	-	43,641	-	68,820	68,820
Total Government	\$ 777,047	\$ 314,607	\$ 56,708	\$ 160,369	\$ (314,183)	\$ 68,820	\$ (245,363)
General Revenues							
Taxes							
Property Taxes					75,748	-	75,748
Sales and Use Taxes					341,511	233	341,744
Franchise Taxes					14,539	-	14,539
Intergovernmental - Unrestricted							
State Shared Sales					36,693	-	36,693
State Revenue Sharing					64,406	-	64,406
Other					21,142	-	21,142
Interest and Investment Income					40,323	13,148	53,471
Other Revenue					16,697	-	16,697
Transfers					9,652	(9,652)	-
Total General Revenues and Transfers					620,711	3,729	624,440
Change in Net Position					306,528	72,549	379,077
Net Position -Beginning					4,812,135	1,559,591	6,371,726
Aggregate amount of adjustments to and restatements of beginning of net position					3,730	371	4,101
Net Position Beginning - as restated*					4,815,865	1,559,962	6,375,827
Net Position - Ending					\$ 5,122,393	\$ 1,632,511	\$ 6,754,904

*Restated the Governmental and Business-Type Activities Net Position due to implementation of GASB Implementation of Guide 2021-1: *Implementation Guidance Update—2020*

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

Balance Sheet

Governmental Funds

June 30, 2024 (in thousands)

ASSETS	General		General Obligation Bond Debt Service		General CIP Construction Capital Projects		Transportation Capital Projects		External Sources Capital Projects		Total Nonmajor Governmental Funds		Total Governmental Funds	
Cash and Investments	\$	216,948	\$	4,674	\$	187,610	\$	120,408	\$	-	\$	231,226	\$	760,866
Cash with Fiscal Agent		-		66,605		-		-		-		17,876		84,481
Receivable (net of allowance for uncollectibles)														
Interest		3,364		-		-		329		1		1,752		5,446
Privilege Tax		23,493		-		-		2,106		-		11,412		37,011
Transient Occupancy Tax		-		-		-		-		-		2,307		2,307
Property Tax		1,345		1,237		-		-		-		51		2,633
State Shared Sales Tax		1,152		-		-		-		-		-		1,152
Franchise Fee		3,339		-		-		-		-		90		3,429
Court		9,963		-		-		-		-		286		10,249
Highway User Tax		-		-		-		-		-		1,911		1,911
Auto Lieu Tax		477		-		-		-		-		-		477
Intergovernmental		-		-		4,724		15,814		33,299		11,190		65,027
Grants		-		-		-		-		1,201		2,257		3,458
Leases		33,651		-		-		-		-		56		33,707
Miscellaneous		6,370		-		75		-		300		4,119		10,864
Due from Other Funds		32,453		-		-		-		-		-		32,453
Supplies Inventory		570		-		-		-		-		-		570
Total Assets	\$	333,125	\$	72,516	\$	192,409	\$	138,657	\$	34,801	\$	284,533	\$	1,056,041

(continued)

Balance Sheet

Governmental Funds

June 30, 2024 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)							
<i>Liabilities</i>							
Accounts Payable	\$ 11,030	\$ -	\$ 9,617	\$ 8,867	\$ 3,251	\$ 10,820	\$ 43,585
Accrued Payroll and Benefits	11,485	-	22	29	5	713	12,254
Due to Other Funds	-	-	-	-	30,958	1,495	32,453
Matured Bond Interest Payable	-	6,100	-	-	-	2,505	8,605
Matured Bonds Payable	-	60,505	-	-	-	15,245	75,750
Unearned Revenue	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	773	6,691	7,464
Other	1,897	-	3	-	-	403	2,303
Due to Other Governments	9,266	5,059	-	-	-	1,141	15,466
Guaranty and Other Deposits	8,147	-	-	-	-	5	8,152
Other	2,628	-	-	-	-	66	2,694
Total Liabilities	44,453	71,664	9,642	8,896	34,987	39,084	208,726
<i>Deferred Inflows of Resources</i>							
Unavailable Revenues	11,928	747	4,799	16,203	32,231	18,320	84,228
Leases	29,742	-	-	-	-	2,227	31,969
Total Deferred Inflows of Resources	41,670	747	4,799	16,203	32,231	20,547	116,197
Total Liabilities and Deferred Inflows of Resources	86,123	72,411	14,441	25,099	67,218	59,631	324,923
<i>Fund Balances (Deficits)</i>							
Nonspendable	570	-	-	-	-	644	1,214
Restricted	-	105	-	113,558	2,471	212,150	328,284
Committed	-	-	177,968	-	60	26,833	204,861
Unassigned	246,432	-	-	-	(34,948)	(14,725)	196,759
Total Fund Balances (Deficits)	247,002	105	177,968	113,558	(32,417)	224,902	731,118
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 333,125	\$ 72,516	\$ 192,409	\$ 138,657	\$ 34,801	\$ 284,533	\$ 1,056,041

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, 2024 (in thousands)

Fund Balances - Total Governmental Funds	\$ 731,118
Amounts reported for governmental activities in the statement of net position are different because (see Note II. A. for the detailed reconciliation):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	4,876,351
Equity in joint venture is not a financial resource; therefore, is not reported in the funds.	2,833
Prepayments, public-public partnerships, leases, and subscription-based information technology arrangements are not financial resources; therefore, are not reported in the funds.	118,600
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	125,323
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(909,469)
Deferred inflows relating to pensions, other postemployment benefits, and public-private partnerships represent a future acquisition of net position that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds.	67,137
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>110,500</u>
Net Position of Governmental Activities	<u><u>\$ 5,122,393</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, 2024 (in thousands)

	REVENUES							Total Nonmajor Governmental Funds	Total Governmental Funds
	General	General Obligation Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects				
Taxes - Local									
Property	\$ 36,530	\$ 35,119	\$ -	\$ -	\$ -	\$ -	1,565	\$ 73,214	
Transaction Privilege	192,691	-	-	17,266	-	-	94,063	304,020	
Transient Occupancy	-	-	-	-	-	-	34,597	34,597	
Light and Power Franchise	10,742	-	-	-	-	-	439	11,181	
Cable TV Franchise	3,358	-	-	-	-	-	-	3,358	
Salt River Project In-Lieu	233	-	-	-	-	-	-	233	
Other Taxes	965	-	-	-	-	-	6,671	7,636	
Taxes - Intergovernmental									
State Shared Sales	36,693	-	-	-	-	-	-	36,693	
State Revenue Sharing	64,406	-	-	-	-	-	-	64,406	
Auto Licu Tax	12,580	-	-	-	-	-	-	12,580	
Highway User Tax	-	-	-	-	-	-	18,743	18,743	
Local Transportation Assistance Fund	-	-	-	-	-	-	610	610	
Business and Liquor Licenses	2,700	-	-	-	-	-	46	2,746	
Charges for Current Services									
Building and Related Permits	21,717	-	217	-	-	-	152	22,086	
Recreation Fees	5,723	-	-	-	-	-	3,721	9,444	
WestWorld Equestrian Facility Fees	5,306	-	-	-	-	-	1,431	6,737	
Fire Fees	2,909	-	-	-	-	-	-	2,909	
Fines, Fees, and Forfeitures									
Court	3,872	-	-	-	-	-	128	4,000	
Parking	249	-	-	-	-	-	-	249	
Photo Radar	2,979	-	-	-	-	-	-	2,979	
Court Enhancement	-	-	-	-	-	-	1,705	1,705	
Library	47	-	-	-	-	-	95	142	
Police	-	-	-	-	-	-	90	90	
Opioid Settlements	-	-	-	-	-	-	1,454	1,454	
Property Rental	6,566	-	-	-	-	-	5,318	11,884	
Interest Earnings	15,715	1	124	1,171	3	-	8,442	25,456	
Net Increase in the Fair Value of Investments	14,457	-	-	-	-	-	410	14,867	
Intergovernmental									
Federal Grants	-	-	-	-	1,468	-	13,850	15,318	
State Grants	-	-	-	-	-	-	1,653	1,653	
Miscellaneous	4,832	-	-	-	22,818	-	3,602	31,252	
Developer Contributions	-	-	50	-	456	-	2,972	3,478	
Streetlight and Services Districts	-	-	-	-	-	-	489	489	
Contributions and Donations	1	-	-	-	-	-	2,429	2,430	
Reimbursements from Outside Sources	1,413	-	1	95	7	-	999	2,515	
Indirect Costs	8,313	-	-	-	-	-	-	8,313	
Other	1,181	-	-	2	-	-	78	1,261	
Total Revenues	\$ 456,178	\$ 35,120	\$ 392	\$ 18,534	\$ 24,752	\$ -	\$ 205,752	\$ 740,728	

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

EXPENDITURES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Current							
General Government							
Mayor and City Council	\$ 1,034	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1,035
City Clerk	972	-	-	-	-	-	972
City Attorney	8,052	-	-	-	-	-	8,052
City Auditor	1,063	-	-	-	-	-	1,063
City Court	5,572	-	-	-	-	1,758	7,330
City Manager	1,812	-	-	-	-	-	1,812
City Treasurer	11,297	-	149	-	-	112	11,558
Other General Government	4,861	5,059	-	-	-	647	10,567
Public Works	26,004	-	689	818	-	25,429	52,940
Community and Economic Development	23,968	-	-	-	-	22,853	46,821
Public Safety	203,000	-	2,038	-	-	4,797	209,835
Community Services	47,965	-	2	-	-	20,478	68,445
Administrative Services	23,046	-	3,289	139	16	1,060	27,550
Streetlight and Services Districts	-	-	-	-	-	533	533
Debt Service	-	-	-	-	-	-	-
Principal	3,507	60,505	-	-	-	17,435	81,447
Interest and Fiscal Charges	422	12,206	-	-	-	5,112	17,740
Capital Outlay	13,811	-	54,901	34,559	39,966	43,805	187,042
Total Expenditures	<u>376,386</u>	<u>77,770</u>	<u>61,068</u>	<u>35,516</u>	<u>39,982</u>	<u>144,020</u>	<u>734,742</u>
Excess (Deficiency) of Revenues over (under) Expenditures	79,792	(42,650)	(60,676)	(16,982)	(15,230)	61,732	5,986
OTHER FINANCING SOURCES (USES)							
Transfers In	17,957	35,464	93,623	35,189	20	22,502	204,755
Transfers Out	(89,108)	-	(1,719)	-	(1,000)	(103,315)	(195,142)
Financing of Leases	1,404	-	-	-	-	574	1,978
Financing of Subscription-Based I.T. Arrangements	9,269	-	-	-	-	2,675	11,944
Financing of Contracts Payable	-	-	-	-	-	1,876	1,876
Sale of General Capital Assets	693	-	-	-	-	(100)	593
Total Other Financing Sources (Uses)	<u>(59,785)</u>	<u>35,464</u>	<u>91,904</u>	<u>35,189</u>	<u>(980)</u>	<u>(75,788)</u>	<u>26,004</u>
Net Change in Fund Balances	20,007	(7,186)	31,228	18,207	(16,210)	(14,056)	31,990
Fund Balances (Deficits) - Beginning	226,995	7,291	146,740	95,351	(16,207)	238,958	699,128
Fund Balances (Deficits) - Ending	<u>\$ 247,002</u>	<u>\$ 105</u>	<u>\$ 177,968</u>	<u>\$ 113,558</u>	<u>\$ (32,417)</u>	<u>\$ 224,902</u>	<u>\$ 731,118</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, 2024 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 31,990
Amounts reported for governmental activities in the statement of activities are different because (see Note II. B. for the detailed reconciliation):	
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.	98,416
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.	77,959
Amortization of deferred inflows of resources related to capital assets acquired by the city as a result of public-private partnerships are not shown in the governmental fund statements. On the statement of activities it is recorded as revenue.	87
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.	(60,448)
Current-year pension and other postemployment benefit contributions are reclassified from expenditures in the governmental funds to deferred outflows of resources in the government-wide statements.	53,182
Current-year joint venture contributions are reclassified from expenditures in the governmental funds to an increase in the investment in the joint venture in the government-wide statements.	334
The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System that is used to offset the contribution required to be made by the city. The fund financial statements recognize the current year contribution; however, the government-wide statements recognize the prior year contribution.	(470)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,631
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.	65,649
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.	1,711
When lease assets, subscription-based information technology arrangement assets (SBITAs), and public-public partnerships (PPPs) assets are retired, a loss is recognized on the statement of activities.	(3,155)
When subscription-based information technology arrangement (SBITA) assets are retired from tangible assets, an expense is recognized on the statement of activities.	(179)
When lease, subscription-based information technology arrangement (SBITA), and contract payable liabilities are retired, a gain is recognized on the statement of activities.	3,051
The change in net position of the Internal Service Funds is attributed to governmental activities.	11,770
Change in Net Position of Governmental Activities	<u>\$ 306,528</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, 2024 (in thousands)

	Budgeted Amounts				Actual Amounts		Budget to GAAP Differences	Actual Amounts		Variance Between Final Budget and Actual Amounts
	Original		Final		Budgetary Basis			GAAP Basis		
REVENUES										
Taxes - Local										
Property	\$ 37,178	\$ 37,178	\$ 37,178	\$ 37,178	\$ 36,530	\$ -	\$ 36,530	\$ -	\$ (648)	
Transaction Privilege	182,488	182,488	182,488	182,488	192,691	-	192,691	-	10,203	
Light and Power Franchise	9,107	9,107	9,107	9,107	10,742	-	10,742	-	1,635	
Cable TV Franchise	3,700	3,700	3,700	3,700	3,358	-	3,358	-	(342)	
Salt River Project In-Lieu	200	200	200	200	233	-	233	-	33	
Other Taxes	960	960	960	960	965	-	965	-	5	
Taxes - Intergovernmental										
State Shared Sales	36,544	36,544	36,544	36,544	36,693	-	36,693	-	149	
State Revenue Sharing	65,098	65,098	65,098	65,098	64,406	-	64,406	-	(692)	
Auto Lieu Tax	12,436	12,436	12,436	12,436	12,580	-	12,580	-	144	
Business and Liquor Licenses	2,802	2,802	2,802	2,802	2,700	-	2,700	-	(102)	
Charges for Current Services										
Building and Related Permits	20,401	20,401	20,401	20,401	21,717	-	21,717	-	1,316	
Recreation Fees	5,205	5,205	5,205	5,205	5,723	-	5,723	-	518	
WestWorld Equestrian Facility Fees	5,313	5,313	5,313	5,313	5,306	-	5,306	-	(7)	
Fire Fees	2,737	2,737	2,737	2,737	2,909	-	2,909	-	172	
Fines, Fees, and Forfeitures										
Court	3,428	3,428	3,428	3,428	3,872	-	3,872	-	444	
Parking	264	264	264	264	249	-	249	-	(15)	
Photo Radar	2,641	2,641	2,641	2,641	2,979	-	2,979	-	338	
Library	27	27	27	27	47	-	47	-	20	
Property Rental	6,044	6,044	6,044	6,044	6,689	(123)	6,566	(123)	645	
Interest Earnings	8,218	8,218	8,218	8,218	14,394	1,321	15,715	1,321	6,176	
Net Increase in the Fair Value of Investments	-	-	-	-	-	14,457	14,457	14,457	-	
Intergovernmental										
Miscellaneous	4,169	4,169	4,169	4,169	4,832	-	4,832	-	663	
Contributions and Donations	-	-	-	-	1	-	1	-	1	
Reimbursements from Outside Sources	1,197	1,197	1,197	1,197	1,413	-	1,413	-	216	
Indirect Costs	8,216	8,216	8,216	8,216	8,313	-	8,313	-	97	
Other	424	424	424	424	690	491	1,181	491	266	
Total Revenues	\$ 418,797	\$ 418,797	\$ 418,797	\$ 418,797	\$ 440,032	\$ 16,146	\$ 456,178	\$ 16,146	\$ 21,235	

(continued)

General Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
EXPENDITURES							
Current							
General Government							
Mayor and City Council	\$ 1,113	\$ 1,088	\$ 1,088	\$ 1,022	\$ 12	\$ 1,034	\$ 66
City Clerk	1,104	1,122	1,122	974	(2)	972	148
City Attorney	8,589	8,633	8,633	8,000	52	8,052	633
City Auditor	1,313	1,307	1,307	1,065	(2)	1,063	242
City Court	5,656	5,530	5,530	5,523	49	5,572	7
City Manager	2,229	1,816	1,816	1,768	44	1,812	48
City Treasurer	12,585	11,670	11,670	11,664	(367)	11,297	6
Other General Government	-	-	-	-	4,861	4,861	-
Public Works	28,329	26,870	26,870	26,158	(154)	26,004	712
Community and Economic Development	26,456	25,239	25,239	23,871	97	23,968	1,368
Public Safety	209,070	203,512	203,512	203,069	(69)	203,000	443
Community Services	50,822	48,716	48,716	48,535	(570)	47,965	181
Administrative Services	27,694	25,463	25,463	25,456	(2,410)	23,046	7
Debt Service							
Principal	168	168	168	252	3,255	3,507	(84)
Interest and Fiscal Charges	284	284	284	185	237	422	99
Capital Outlay	-	-	-	-	13,811	13,811	-
Total Expenditures	375,412	361,418	361,418	357,542	18,844	376,386	3,876
Excess of Revenues over Expenditures	43,385	57,379	57,379	82,490	(2,698)	79,792	25,111
OTHER FINANCING SOURCES (USES)							
Transfers In	17,152	17,152	17,152	17,957	-	17,957	805
Transfers Out	(81,018)	(81,018)	(81,018)	(89,108)	-	(89,108)	(8,090)
Financing of Leases	-	-	-	-	1,404	1,404	-
Financing of Subscription-Based I.T. Arrangements	-	-	-	-	9,269	9,269	-
Sale of General Capital Assets	150	150	150	328	365	693	178
Total Other Financing Sources (Uses)	(63,716)	(63,716)	(63,716)	(70,823)	11,038	(59,785)	(7,107)
Net Change in Fund Balances	(20,331)	(6,337)	(6,337)	11,667	8,340	20,007	18,004

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

General Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

Explanation of Differences:

Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:

Amortized Lease Revenue	\$	(123)
Lease Interest Revenue		1,321
Net Increase in the Fair Value of Investments		14,457
In-Kind Revenue		491
Financing of Leases		1,404
Financing of Subscription-Based I.T. Arrangements		9,269
Gain on Lease Termination		365
Total Revenue/Other Financing Source Adjustments		<u>27,184</u>

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

Payroll Accrual and Compensated Absences		2,245
Non-Cash Operating Expenditures		1,015
Non-Cash Debt Service Expenditures		50
Non-Cash Capital Expenditures		10,673
Other General Government Maricopa County Qasimyar Settlement		4,861
Total Expenditure Adjustments		<u>18,844</u>

Net Increase in Fund Balance - Budget to GAAP \$ 8,340

Differences in Presentation between Budget and GAAP Basis:

The city records principal and interest payments related to the subscription-based information technology arrangements, contracts payable, and lease activity on a GAAP basis; however, for budget purposes, they are included in the associated division's expenditures. Additionally, the city records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes, they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

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

Statement of Fund Net Position

Proprietary Funds

June 30, 2024 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Assets					
Current Assets					
Cash and Investments	\$ 227,713	\$ 13,870	\$ 12,647	\$ 254,230	\$ 80,995
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	37	-	37	-
Charges for Services	22,140	436	3,664	26,240	-
Intergovernmental	200	12	-	212	-
Leases	-	1,401	-	1,401	-
Public-Private Partnerships	-	258	-	258	-
Interest	2,196	65	76	2,337	-
Miscellaneous	3,216	9	28	3,253	637
Supplies Inventory	-	-	-	-	1,412
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	24,773	1,355	-	26,128	-
Customer Advances and Deposits	1,426	419	-	1,845	-
Prepaid Items	2,175	26	63	2,264	6
Other Restricted Items					
Joint Venture Construction Deposits	4,907	-	-	4,907	-
Total Current Assets	288,746	17,888	16,478	323,112	83,050
Noncurrent Assets					
Lease Receivables	15	14,415	-	14,430	-
Intergovernmental Receivables	1,565	-	-	1,565	-
Public-Private Partnership Receivables	-	9,089	-	9,089	-
Equity in Joint Ventures	63,324	9	98	63,431	4
Pollution Remediation Recoveries	45,186	-	-	45,186	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	2,494	-	-	2,494	-
Advanced Lease Payments	-	767	-	767	-
Capital Assets					
Land	42,106	9,564	1,111	52,781	-
Water Rights	87,171	-	-	87,171	-
Water System	1,537,909	-	-	1,537,909	-
Sewer System	751,173	-	-	751,173	-
Buildings and Improvements	-	136,138	7,958	144,096	19,003
Motor Vehicles	-	628	-	628	110,152
Machinery and Equipment	7,548	773	1,139	9,460	6,566
Furniture and Fixtures	1,399	223	213	1,835	-
Construction in Progress	99,390	244	751	100,385	7,227
Leases	138	16	9	163	27
Subscription-Based I.T. Arrangements	151	-	6	157	512
Less Accumulated Depreciation/Amortization	(1,074,561)	(43,902)	(4,942)	(1,123,405)	(75,228)
Total Capital Assets (net of accumulated depreciation/amortization)	1,452,424	103,684	6,245	1,562,353	68,259
Total Noncurrent Assets	1,565,008	127,964	6,343	1,699,315	68,263
Total Assets	1,853,754	145,852	22,821	2,022,427	151,313
Deferred Outflows of Resources					
Deferred Amounts on Refundings	10,335	-	-	10,335	-
Pension-Related Amounts	3,199	199	1,173	4,571	728
Total Deferred Outflows of Resources	\$ 13,534	\$ 199	\$ 1,173	\$ 14,906	\$ 728

(continued)

Statement of Fund Net Position

Proprietary Funds

June 30, 2024 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 26,280	\$ 105	\$ 842	\$ 27,227	\$ 5,776
Accrued Payroll and Benefits	1,140	58	456	1,654	280
Accrued Compensated Absences - Current	3	-	-	3	-
Accrued Compensated Absences - Due within one year	1,551	131	515	2,197	288
Unearned Revenue	-	-	-	-	13
Customer Advances and Deposits	1,426	419	-	1,845	-
Interest Payable	3,763	365	-	4,128	-
Matured Bonds and Other Payables	21,010	990	-	22,000	-
Bonds Payable and Other Payables - Due within one year	16,410	1,040	-	17,450	10,235
Leases - Due within one year	28	3	2	33	5
Subscription - Due within one year	39	-	2	41	115
Total Current Liabilities	71,650	3,111	1,817	76,578	16,712
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,546	185	471	2,202	161
Advanced Construction Payments	2,494	-	-	2,494	-
Advanced Lease Payments	-	767	-	767	-
Net Pension Liabilities	23,049	1,540	8,690	33,279	5,378
Bonds, Loans, and Other Payables - Due in more than one year	183,208	17,647	-	200,855	10,723
Pollution Remediation Obligation	45,186	-	-	45,186	-
Leases - Due in more than one year	70	9	4	83	17
Subscription - Due in more than one year	41	-	2	43	-
Total Noncurrent Liabilities	255,594	20,148	9,167	284,909	16,279
Total Liabilities	327,244	23,259	10,984	361,487	32,991
Deferred Inflows of Resources					
Pension-Related Amounts	1,454	97	548	2,099	339
Leases	10	14,725	-	14,735	-
Public-Private Partnerships	-	34,712	-	34,712	-
Total Deferred Inflows of Resources	1,464	49,534	548	51,546	339
NET POSITION					
Net Investment in Capital Assets	1,242,646	68,050	5,780	1,316,476	66,677
Restricted for Joint Venture Construction Deposits	4,907	-	-	4,907	-
Unrestricted	291,027	5,208	6,682	302,917	52,034
Total Net Position	\$ 1,538,580	\$ 73,258	\$ 12,462	\$ 1,624,300	\$ 118,711

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

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

June 30, 2024 (in thousands)

Total Enterprise Fund Net Position	\$ 1,624,300
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

<u>8,211</u>

Net Position of Business-type Activities
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<u><u>\$ 1,632,511</u></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, 2024 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for Sales and Services					
Water Service Fees	\$ 128,451	\$ -	\$ -	\$ 128,451	\$ -
Sewer Service Fees	48,792	-	-	48,792	-
Proprietary - Non-potable water fees	16,440	-	-	16,440	-
Solid Waste Fees	-	-	33,731	33,731	-
Airport Fees	-	10,890	-	10,890	-
Other Services	-	-	-	-	84,825
Other	8,501	13	7	8,521	2,990
Total Operating Revenues	202,184	10,903	33,738	246,825	87,815
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	73,101	-	-	73,101	-
Sewer Operations	35,130	-	-	35,130	-
Solid Waste Operations	-	-	28,610	28,610	-
Airport Operations	-	3,036	-	3,036	-
Other Services	-	-	-	-	68,024
Indirect Costs	5,883	644	1,786	8,313	-
Depreciation/Amortization	62,427	5,377	339	68,143	11,646
Total Operating Expenses	176,541	9,057	30,735	216,333	79,670
Operating Income	25,643	1,846	3,003	30,492	8,145
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	233	-	233	-
Property Tax	-	-	-	-	2,202
Investment Income	12,089	553	506	13,148	-
Interest Expense	(6,687)	(649)	-	(7,336)	-
Gain (Loss) on Sale of Capital Assets	(139)	2	-	(137)	140
Net Non-Operating Revenue (Expenses)	5,263	139	506	5,908	2,342
Income Before Contributions and Transfers	30,906	1,985	3,509	36,400	10,487
Capital Contributions	41,874	1,767	-	43,641	3,404
Transfers In	-	-	-	-	68
Transfers Out	(9,652)	-	-	(9,652)	(29)
Change in Net Position	63,128	3,752	3,509	70,389	13,930
Total Net Position - Beginning	1,475,452	69,506	8,582	1,553,540	104,781
Aggregate amount of adjustments to and restatements of beginning net position	-	-	371	371	-
Total Net Position - Beginning Restated	1,475,452	69,506	8,953	1,553,911	104,781
Total Net Position - Ending	\$ 1,538,580	\$ 73,258	\$ 12,462	\$ 1,624,300	\$ 118,711

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

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

Net Change in Total Enterprise Fund Net Position \$ 70,389

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

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

2,160

Change in Net Position of Business-type Activities

\$ 72,549

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, 2024 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 190,659	\$ 19,120	\$ 33,236	\$ 243,015	\$ 84,757
Cash Payments to Suppliers for Goods/Services	(79,809)	(1,974)	(19,245)	(101,028)	(58,994)
Cash Payments to Employees for Services	(27,737)	(1,784)	(10,707)	(40,228)	(7,134)
Other Cash Receipts	8,209	13	7	8,229	2,986
Net Cash Provided by (Used for) Operating Activities	<u>91,322</u>	<u>15,375</u>	<u>3,291</u>	<u>109,988</u>	<u>21,615</u>
Cash Flows from NonCapital Financing Activities					
Property Tax	-	-	-	-	2,202
Transaction Privilege Tax	-	233	-	233	-
Transfers In	-	-	-	-	68
Transfers Out	(9,652)	-	-	(9,652)	(29)
Net Cash Provided by (Used for) NonCapital Financing Activities	<u>(9,652)</u>	<u>233</u>	<u>-</u>	<u>(9,419)</u>	<u>2,241</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from:					
Water and Sewer Development Fees	4,406	-	-	4,406	-
Water and Sewer Development Fee Credit Agreements	(376)	-	-	(376)	-
Capital Grants	711	2,333	-	3,044	-
Acquisition and Construction of Property and Equipment	(81,323)	(11,744)	(501)	(93,568)	(16,173)
Principal Payments on Capital Debt and Other Payables	(24,356)	(943)	-	(25,299)	-
Interest Paid on Capital Debt	(8,097)	(757)	-	(8,854)	-
Investment in Joint Venture	(1,134)	(1)	(14)	(1,149)	-
Sale of Capital Assets	-	-	-	-	1,159
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(110,169)</u>	<u>(11,112)</u>	<u>(515)</u>	<u>(121,796)</u>	<u>(15,014)</u>
Cash Flows from Investing Activities					
Income from Investments	11,444	523	479	12,446	-
Net Cash Provided by (Used for) Investing Activities	<u>11,444</u>	<u>523</u>	<u>479</u>	<u>12,446</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,055)	5,019	3,255	(8,781)	8,842
Cash and Cash Equivalents at Beginning of Year	<u>273,461</u>	<u>11,392</u>	<u>9,392</u>	<u>294,245</u>	<u>72,153</u>
Cash and Cash Equivalents at End of Year	<u>\$ 256,406</u>	<u>\$ 16,411</u>	<u>\$ 12,647</u>	<u>\$ 285,464</u>	<u>\$ 80,995</u>

(continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash and Cash Equivalents at End of Year includes:					
Cash and Investments	\$ 227,713	\$ 13,870	\$ 12,647	\$ 254,230	\$ 80,995
Cash with Fiscal Agent	24,773	1,355	-	26,128	-
Restricted Cash and Investments	3,920	1,186	-	5,106	-
Total Cash and Cash Equivalents	<u>\$ 256,406</u>	<u>\$ 16,411</u>	<u>\$ 12,647</u>	<u>\$ 285,464</u>	<u>\$ 80,995</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities					
Cash Flows from Operating Activities					
Operating Income	\$ 25,643	\$ 1,846	\$ 3,003	\$ 30,492	\$ 8,145
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation/Amortization	62,427	5,377	339	68,143	11,646
Current Year Pension Contributions	(2,470)	(151)	(898)	(3,519)	(558)
Change in Equity in Joint Ventures	6,210	2	24	6,236	1
Change in Accounts Receivable	(2,438)	(96)	(495)	(3,029)	(66)
Change in Lease/PPP Receivable	-	1,248	-	1,248	-
Change in Miscellaneous Receivable	(969)	-	-	(969)	-
Change in Intergovernmental Receivable	355	-	-	355	-
Change in Inventories	-	-	-	-	53
Change in Prepaid Expense	(728)	(26)	(62)	(816)	(5)
Change in Customer Deposits	30	24	-	54	-
Change in Accounts Payable	1,013	9	(304)	718	1,852
Change in Unearned Revenue	-	-	-	-	(1)
Change in Accrued Payroll and Compensated Absences	144	(91)	100	153	(32)
Change in Claims Payable	-	-	-	-	(186)
Change in Advanced Payments	(292)	(100)	-	(392)	-
Change in Net Pension Liability	(1,489)	(106)	145	(1,450)	(129)
Change in Deferred Inflows of Resources Leases/PPPs	(1)	7,180	-	7,179	-
Change in Deferred Outflows of Resources Related to Pensions	3,363	224	1,215	4,802	769
Change in Deferred Inflows of Resources Related to Pensions	524	35	224	783	130
Change in Other Liabilities	-	-	-	-	(4)
Total Adjustments	<u>65,679</u>	<u>13,529</u>	<u>288</u>	<u>79,496</u>	<u>13,470</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 91,322</u>	<u>\$ 15,375</u>	<u>\$ 3,291</u>	<u>\$ 109,988</u>	<u>\$ 21,615</u>
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities					
Initiation of Lease	\$ (47)	\$ -	\$ -	\$ (47)	\$ (12)
Initiation of SBITA	(35)	-	-	(35)	-
Contributions of Capital Assets from Developers	37,132	-	-	37,132	-
Change in Equity in Joint Venture	(5,076)	(1)	(10)	(5,087)	-
Contributions of Capital Assets from Other Funds	-	-	-	-	3,404
Capital Asset Adjustment for Prior Period	-	-	371	371	-
Amortization of Bond Premium	2,042	84	-	2,126	-
Deferred Amount on Refundings	(1,195)	-	-	(1,195)	-
Retirement of Assets	(139)	(243)	-	(382)	(490)
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 32,682</u>	<u>\$ (160)</u>	<u>\$ 361</u>	<u>\$ 32,883</u>	<u>\$ 2,902</u>

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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"> • Non-profit corporation created in 1967 • Sole purpose is to construct, acquire, and equip buildings, structures, or land improvements for the city • Governed by Board of Directors approved by City Council • For financial reporting purposes, transactions are included as a governmental and proprietary fund type as if part of the city's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
McDowell Mountain Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1994 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the city • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The city has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the city's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
DC Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1997 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the city • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The city has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the city's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Via Linda Road Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1998 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the city • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The city has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the city's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Waterfront Commercial Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 2005 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the city • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The city has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the city's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

B. Government-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

The government reports the following major governmental funds:

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

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

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

The *Transportation Capital Projects Fund* is used to account for the portion of Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Resources are provided by the 0.2 percent 1989 voter-approved privilege tax, the 0.1 percent 2018 voter-approved privilege tax dedicated to the Arterial Life Cycle Program. The Arizona Highway User Revenue tax also contributes to this fund.

The *External Sources Capital Projects Fund* is used to account for the activity related to monies received from a variety of external sources including federal and state grants and contributions. The revenues are restricted or committed for specific types of capital improvements.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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 funds' principal ongoing operations. The principal operating revenues of the city's enterprise and internal service funds are charges for customer services including water, sewer, airport, solid waste, vehicle purchase/maintenance, computer replacement, and self-insurance charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

1. Deposits and Investments

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* provides that governmental entities may report all investments at fair value, or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The city has elected to report all investments at fair value. The city's policy permits it to invest in certificates of deposit; repurchase agreements; highly rated commercial paper issued by corporations organized and doing business in the United States; money market mutual funds; highly rated corporate bonds/notes/asset-backed securities denominated in U.S. dollars; obligations issued or guaranteed by the United States government, or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; bonds, notes, or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts, or special taxing districts; and the pooled investment funds established by the Office of the Arizona State Treasurer.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16 percent. Public auctions of properties which have delinquent real estate taxes are held in February. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

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

3. Inventories, Prepayments, and Prepaid Items

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

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

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

4. Restricted Assets

Certain proceeds of the city’s bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts or their use is restricted by outside parties.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The joint venture construction deposits with the City of Phoenix are used for capital expansion, rehabilitation, and expansion of the jointly used facilities.

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

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 except for private-public and public-public partnerships, leases, and subscription-based technology arrangements must be \$50,000 or greater; and an estimated useful life in excess of two years. All land and land rights regardless of value are capitalized. The city may capitalize items under the individual threshold if in the aggregate the items exceed the threshold. Assets contributed (donated) are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The city has elected to exclude the values of the art collections held in perpetuity from capitalization as the worth of the collections may change over time and because these collections are maintained in perpetuity to be used for purposes other than financial gain.

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

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

Lease, public-public partnership, and subscription-based information technology arrangements assets are amortized over the life of the associated contract. The excess purchase price over fair value of assets acquired in the Water and Sewer Utility Enterprise Fund is amortized on the straight-line method over 20 to 60 years.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

6. Pensions

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

7. Compensated Absences

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

Vacation pay is calculated based on vacation used, and the medical leave conversion is based on an actuarial valuation dated January 1, 2024. 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 as of June 30, 2024, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2024, which 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. No long-term liability for compensated absences is recorded in the governmental funds.

8. Long-term Obligations

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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.

9. Deferred Outflows/Inflows of Resources

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

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

Public-private partnership (PPP) amounts are recognized at the inception of PPPs in which the city is the transferor and upon the contribution of improvements to the underlying PPP asset made by the operator in the PPP to the city. The deferred inflow of resources is recorded in an amount equal to the corresponding PPP receivable plus the value of the contributed improvements at the time of the contribution. The inflow of resources is recognized in a systematic and rational manner over the term of the PPP.

10. Development Impact Fee Revenue

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

11. Fund Balance Policies

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

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

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

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, whereas any governmental fund can report a negative unassigned fund balance.

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

12. Net Position

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

13. Use of Estimates

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

E. Implementation of New Accounting Principles

1. Governmental Accounting Standards Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*

The city adopted the provisions of GASB *Implementation Guidance Update – 2021*, Question 5.1 that was effective for periods beginning after June 15, 2023. The objective of the Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. Question 5.1 specifically amended questions in previously issued Implementation Guides. The new guidance expands the scope of the capital assets threshold application from only an individual unit cost to an individual unit cost as well as aggregate significant costs even if the individual units are less than the capitalization threshold.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

F. Prior Period Adjustment

1. Change in Accounting Principle

The city's net position as of July 1, 2023, has been restated as follows for the implementation of GASB Implementation Guide - 2021-1, Question 5.1 . The table below reflects the restatement amounts on the government-wide statement and proprietary fund statements of net position (in thousands):

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balance		
	Government-wide		Funds
	Governmental Activities	Business-type Activities	Enterprise Fund Solid Waste
Net position at June 30, 2023, as previously reported	\$ 4,812,135	\$ 1,559,591	\$ 8,582
Prior period adjustment - implementation of Guide 2021-1	3,730	371	371
Net position at June 30, 2023, as restated	\$ 4,815,865	\$ 1,559,962	\$ 8,953

The Implementation Guide expanded the guidance on the scope of capital assets threshold application from an individual unit cost to an individual unit cost as well as aggregate significant costs even if the individual units are less than the capitalization threshold. This resulted in an increase in the city's net position due to additional capital assets being recognized.

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, \$731,118,000 differ from the net position of governmental activities, \$5,122,393,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾		Internal Service Funds ⁽²⁾		Reclassifications and Eliminations ⁽³⁾		Statement of Net Position Total
	Total Governmental Funds	\$	\$	\$	\$	\$	\$
Assets							
Cash and Investments	760,866	\$	-	80,995	-	-	841,861
Cash with Fiscal Agent	84,481		-	-	-	-	84,481
Receivables (net of allowance for uncollectibles)							
Interest	5,446		-	-	-	-	5,446
Privilege Tax	37,011		-	-	-	-	37,011
Transient Occupancy Tax	2,307		-	-	-	-	2,307
Property Tax	2,633		-	-	-	-	2,633
State Shared Sales Tax	1,152		-	-	-	-	1,152
Franchise Fee	3,429		-	-	-	-	3,429
Court	10,249		-	-	-	-	10,249
Highway User Tax	1,911		-	-	-	-	1,911
Auto Lieu Tax	477		-	-	-	-	477
Intergovernmental	65,027		-	-	-	-	65,027
Grants	3,458		-	-	-	-	3,458
Leases	33,707		-	-	-	-	33,707
Miscellaneous	10,864		-	637	-	-	11,501
Due from Other Funds	32,453		-	-	-	(32,453)	-
Supplies Inventory	570		-	1,412	-	-	1,982
Prepaid Items	-		-	6	-	-	6
Capital Assets (net of accumulated depreciation)	-		4,876,351	68,124	-	-	4,944,475
Equity in Joint Venture	-		2,833	4	-	-	2,837
Lease Assets (net of accumulated amortization)	-		3,756	21	-	-	3,777
Subscription-Based I.T. Arrangements (net of accumulated amortization)	-		12,752	114	-	-	12,866
Prepayments	-		23,596	-	-	-	23,596
Public-Public Partnerships (net of accumulated amortization)	-		78,496	-	-	-	78,496
Total Assets	1,056,041		4,997,784	151,313	-	(32,453)	6,172,685
Deferred Outflows of Resources							
Deferred Amounts on Refundings	-		13,660	-	-	-	13,660
Pension-Related Amounts	-		111,173	728	-	-	111,901
OPEB-Related Amounts	-		490	-	-	-	490
Total Deferred Outflows of Resources	-		125,323	728	-	-	126,051
Total Assets and Deferred Outflows of Resources	\$ 1,056,041		\$ 5,123,107	\$ 152,041	\$	(32,453)	\$ 6,298,736

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations ⁽³⁾	Statement of Net Position Total
Liabilities					
Accounts Payable	\$ 43,585	\$ -	\$ 5,776	\$ -	\$ 49,361
Accrued Payroll and Benefits	12,254	(78)	280	-	12,456
Due to Other Funds	32,453	-	8,211	(32,453)	8,211
Accrued Compensated Absences - Current	-	78	-	-	78
Accrued Compensated Absences - Due within one year	-	15,934	288	-	16,222
Accrued Compensated Absences - Due in more than one year	-	16,883	161	-	17,044
Leases - Due within one year	-	969	5	-	974
Subscriptions - Due within one year	-	2,290	115	-	2,405
Matured Bond Interest Payable	8,605	-	-	-	8,605
Matured Bonds Payable	75,750	-	-	-	75,750
Unearned Revenue	-	-	-	-	-
Intergovernmental	7,464	-	-	-	7,464
Other	2,303	-	13	-	2,316
Due to Other Governments	15,466	-	-	-	15,466
Guaranty and Other Deposits	8,152	-	-	-	8,152
Other	2,694	-	-	-	2,694
Bonds, Loans, Capital Leases, and Other Payables	-	873,393	26,353	-	899,746
Total Liabilities	208,726	909,469	41,202	(32,453)	1,126,944
Deferred Inflows of Resources					
Unavailable Revenue	84,228	(84,228)	-	-	-
Leases	31,969	-	-	-	31,969
Pension-Related Amounts	-	12,772	339	-	13,111
Public-Private Partnerships	-	2,416	-	-	2,416
OPEB-Related Amounts	-	1,903	-	-	1,903
Total Deferred Inflows of Resources	116,197	(67,137)	339	-	49,399
Total Liabilities and Deferred Inflows of Resources	324,923	842,332	41,541	(32,453)	1,176,343
Fund Balances/Net Position					
Total Fund Balances/Net Position	731,118	4,280,775	110,500	-	5,122,393
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 1,056,041	\$ 5,123,107	\$ 152,041	\$ (32,453)	\$ 6,298,736

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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	\$ 6,791,437
Accumulated depreciation	(1,915,086)
	\$ 4,876,351

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

	\$ 2,833
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Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid, such as long-term prepayments, while others arise from the incurrence of long-term liabilities or the receipt of capital assets from elsewhere within the city, such as public-public partnerships (PPPs), leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/23	\$ 24,974
Prepayments for fiscal year 2024	1,831
Prepayments reclassified to SBITA asset	(1,511)
Prepayments applied to PSPRS pension liability	(731)
Amortization of prepayments	(967)
	\$ 23,596

PPPs at 7/1/23	\$ 55,692
Land improvements net additions for PPPs	29,185
Amortization of PPPs	(6,381)
	\$ 78,496

Leases at 7/1/23	\$ 2,769
Leases for fiscal year 2024	1,998
Loss on retirement	(61)
Amortization of leases	(950)
	\$ 3,756

SBITAs at 7/1/23	\$ 5,147
SBITAs for fiscal year 2024	12,813
Prepayments reclassified to SBITA asset	1,511
Loss on retirement	(3,094)
Amortization of SBITAs	(3,625)
	\$ 12,752

Deferred amounts on refundings	\$ 13,660
Pension-related amounts	111,173
OPEB-related amounts	490
	\$ 125,323

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

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

(in thousands)

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2024, were:

Leases	\$ (3,975)
Bonds	(517,898)
Public-public partnerships	(4,368)
Subscription-based information technology arrangements	(9,696)
Contracts Payable	(1,786)
Issuance premium	(24,563)
Accrued vacation and sick leave pay	(32,817)
Total OPEB liability	(863)
Net pension liabilities	(313,503)
	\$ (909,469)

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

Unavailable court revenue	\$ 3,724
Unavailable property tax revenue	1,580
Unavailable privilege tax revenue	6,862
Unavailable transient occupancy tax revenue	237
Unavailable intergovernmental revenue	67,093
Unavailable other revenue	4,732
	\$ 84,228

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pensions and OPEB may result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows of resources related to public-private partnerships are recorded in an amount equal to the value of the contributed operator improvements at the time of the contribution.

Pension-related amounts	\$ (12,772)
OPEB-related amounts	(1,903)
Public-private partnerships	(2,416)
	\$ (17,091)

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

	\$ 110,500
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(3) When governmental funds have cash timing differences, due to and from balances are established at the fund level. This adjustment eliminates the governmental interfund activity.

Reduction of amount due from other governmental fund	\$ (32,453)
Reduction of amount due to other governmental fund	\$ 32,453

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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, \$31,990,000 differs from the change in net position for the governmental activities, \$306,528,000 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 following table:

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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 ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
Taxes - Local							
Property	\$ 73,214	\$ 332	-	2,202	-	-	75,748
Transaction Privilege	304,020	2,840	-	-	-	-	306,860
Transient Occupancy	34,597	54	-	-	-	-	34,651
Light and Power Franchise	11,181	-	-	-	-	-	11,181
Cable TV Franchise	3,358	-	-	-	-	-	3,358
Salt River Project In-Lieu	233	-	-	-	-	-	233
Other Taxes	7,636	83	-	-	-	-	7,719
Taxes - Intergovernmental							
State Shared Sales	36,693	-	-	-	-	-	36,693
State Revenue Sharing	64,406	-	-	-	-	-	64,406
Auto Lieu Tax	12,580	-	-	-	-	-	12,580
Highway User Tax	18,743	-	-	-	-	-	18,743
Local Transportation Assistance Fund	610	-	-	-	-	-	610
Business and Liquor Licenses	2,746	3	-	-	-	-	2,749
Charges for Current Services							
Building and Related Permits	22,086	7	-	-	(100)	-	21,993
Recreation Fees	9,444	41	-	-	-	-	9,485
WestWorld Equestrian Facility Fees	6,737	874	-	-	-	-	7,611
Fire Fees	2,909	368	-	-	-	-	3,277
Fines, Fees, and Forfeitures							
Court	4,000	(29)	-	-	-	-	3,971
Parking	249	(4)	-	-	-	-	245
Photo Radar	2,979	-	-	-	-	-	2,979
Court Enhancement	1,705	-	-	-	-	-	1,705
Library	142	-	-	-	-	-	142
Police	90	-	-	-	-	-	90
Opioid Settlements	1,454	-	-	-	-	-	1,454
Property Rental	11,884	1,153	-	-	-	-	13,037
Interest Earnings	25,456	-	-	-	-	-	25,456
Net Increase in Fair Value of Investments	14,867	-	-	-	-	-	14,867
Public-Private Partnerships	-	-	87	-	-	-	87
Intergovernmental							
Federal Grants	15,318	(1,797)	-	-	-	-	13,521
State Grants	1,653	595	-	-	-	-	2,248
Miscellaneous	31,252	22,502	-	-	-	-	53,754
Developer Contributions	3,478	(1,493)	-	-	1,248	-	3,233
Streetlight and Services Districts	489	-	-	-	-	-	489
Contributions and Donations	2,430	825	-	-	-	-	3,255
Reimbursements from Outside Sources	2,515	(175)	-	-	-	-	2,340
Indirect Costs	8,313	-	-	-	-	-	8,313
Other	1,261	(18)	-	-	(10)	-	1,233
Total Revenues	\$ 740,728	\$ 26,161	\$ 87	\$ 2,202	\$ 1,138	\$ -	\$ 770,316

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

EXPENDITURES/EXPENSES	Total Governmental Funds	Long-Term Revenue/Expenses ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
Current							
General Government							
Mayor and City Council	\$ 1,035	\$ 5	\$ -	\$ (13)	\$ -	\$ -	\$ 1,027
City Clerk	972	6	-	(10)	-	-	968
City Attorney	8,052	77	15	(85)	-	-	8,059
City Auditor	1,063	(8)	-	(9)	-	-	1,046
City Court	7,330	50	45	(68)	-	-	7,357
City Manager	1,812	201	33	(11)	-	-	2,035
City Treasurer	11,558	250	14	(129)	(10)	-	11,683
Other General Government	10,567	-	-	-	-	-	10,567
Public Works	52,940	130	63,647	(851)	(180)	-	115,686
Community and Economic Development	46,821	1,019	3,095	(230)	1,146	-	51,851
Public Safety	209,835	(3,011)	5,415	(3,733)	(2,404)	-	206,102
Community Services	68,445	6,339	13,709	(665)	(94)	-	87,734
Administrative Services	27,550	5,091	2,146	(181)	(1)	-	34,605
Scottsdale AZ CARES	-	117	-	-	-	-	117
Streetlight and Services Districts	533	-	-	-	-	-	533
Debt Service	-	-	-	-	-	-	-
Principal	81,447	-	-	-	-	(81,447)	-
Interest and Fiscal Changes	17,740	-	-	-	-	(1,711)	16,029
Capital Outlay	187,042	-	(187,042)	-	-	-	-
Total Expenditures/Expenses	\$ 734,742	\$ 10,266	\$ (98,923)	\$ (5,985)	\$ (1,543)	\$ (83,158)	\$ 555,399
OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION							
Net Transfers from Other Funds	\$ 9,613	\$ -	\$ -	\$ 39	\$ -	\$ -	\$ 9,652
Capital Contributions	-	-	77,959	3,404	(2,681)	-	78,682
Financing of Leases	1,978	-	-	-	-	(1,978)	-
Financing of Subscription-Based I.T. Arrangements	11,944	-	-	-	-	(11,944)	-
Financing of Contracts Payable	1,876	-	-	-	-	(1,876)	-
Sale of General Capital Assets	593	-	(507)	140	-	-	226
Gain on Retirement of Contract Payable	-	-	-	-	-	165	165
Gain on Retirement of Lease Liability	-	-	-	-	-	44	44
Gain on Retirement of Subscription-Based I.T. Arrangements Liability	-	-	-	-	-	2,842	2,842
Total	26,004	-	77,452	3,583	(2,681)	(12,747)	91,611
Net Change for the Year	\$ 31,990	\$ 15,895	\$ 176,462	\$ 11,770	\$ -	\$ 70,411	\$ 306,528

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

(in thousands)

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

Taxes-Local	\$ 3,309
Charges for Services/Licenses	1,293
Fines, Fees, and Forfeitures	(33)
Intergovernmental	21,770
Other	292
	\$ 26,631

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

Accrual for long-term compensated absences	\$ (183)
OPEB expense	110
Pension expense	(47,751)
Change in equity interest for joint venture	(701)
Amortization of long-term prepaid leases	(967)
Amortization of public-public partnerships	(6,381)
Amortization of leased assets	(950)
Amortization of subscription-based I.T. arrangements	(3,625)
	\$ (60,448)

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

Current-year pension contributions	\$ 53,055
Current-year OPEB contributions	127
	\$ 53,182

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

	\$ 334
	\$ 334

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

(in thousands)

When subscription-based information technology arrangement (SBITA) assets are retired from tangible assets, an expense is recognized on the statement of activities

	\$ (179)
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Retirement of SBITA capital asset

When leases and subscription-based information technology arrangement assets (SBITAs) are retired, a loss is recognized on the statement of activities.

Lease retirements	\$ (61)
SBITA retirements	(3,094)
	\$ (3,155)

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

	\$ (470)
--	----------

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

Capital expenditures	\$ 187,042
Depreciation expense	(88,119)
Sale of capital assets	(507)
	\$ 98,416

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

Capital contributions	\$ 77,959
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Amortization of deferred inflows of resources related to capital assets acquired by the city as a result of public-private partnerships are not shown in the governmental fund statements. On the statement of activities it is recorded as revenue.

	\$ 87
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(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

(in thousands)

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

Change in net position	\$ 13,930
Internal payable to Enterprise Fund	<u>(2,160)</u>
	<u>\$ 11,770</u>

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

Reduction in revenues/capital contributions - Governmental Funds	\$ (1,543)
Reduction in expenditures/expenses - Governmental Funds	<u>(1,543)</u>

(8) Repayment of principal and defeasance of bond principal via refunding bonds are reported as an expenditure or other financing use, respectively, in governmental funds. 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	\$ 81,447
Principal payments made	<u> </u>

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

Amortization of deferred charges on refundings	\$ (2,409)
Amortization of bond premiums and discounts	<u>4,120</u>
	<u>\$ 1,711</u>

Bond proceeds and the financing of leases, subscription-based information technology arrangements, and contracts payable 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:

Lease acquisitions	\$ (1,978)
Subscription-based information technology arrangements	<u>(11,944)</u>
Contracts payable	<u>(1,876)</u>
	<u>\$ (15,798)</u>

When lease, subscription-based information technology arrangement (SBITA), and contract payable liabilities are retired, a gain is recognized on the statement of activities.

Retirement of lease liabilities	\$ 44
Retirement of SBITA liabilities	<u>2,842</u>
Retirement of contracts payable	<u>165</u>
	<u>\$ 3,051</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The city prepared an annual budget that covered fiscal year 2024. The fiscal year 2024 budget appropriation is established and reflected in the financial statements as follows:

The city prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the adjustments for fair value of investments, payroll accruals, in-kind revenue and expenditure recognition activity, interest associated with leases, amortized lease revenue, accrued compensated absences, and GAAP entries associated with the financing or termination of leases, subscription-based information technology arrangements, public-private partnerships, long-term contracts payable, and for the accrual of the Maricopa County Qasimyar Settlement.

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

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, certain special revenue funds (Transportation, Community Development Block Grant, HOME, Grants, Housing Choice Voucher Program, Preserve Privilege Tax, Streetlight Districts, Special Programs, Tourism Development, and Stadium Facility) and debt service funds (except for the Community Facilities Districts and the Debt Service Stabilization Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

Community facilities districts funds, capital projects funds, enterprise funds, internal service funds, and permanent 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 Housing Choice Voucher Program 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 to help departments control operational costs. Budgets for permanent funds are established in accordance with endowment requirements.

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

In June, the budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized beyond the limit for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. No supplemental budgetary appropriations were made to the original budget during fiscal year 2024.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

B. Excess of Expenditures over Appropriations

The Housing Choice Voucher Program Special Revenue Fund, Tourism Development Special Revenue Fund, and the Stadium Facility Special Revenue Fund exceeded their expenditure appropriation by \$1,584,000, \$3,000, and \$101,000 respectively. The additional expenditures incurred were funded by available fund balances within the respective funds.

C. Deficit Fund Equity

The HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$307,000, \$1,539,000, and \$32,417,000, respectively. These deficits were caused by timing differences from pending grant reimbursements and reimbursements from intergovernmental agreements. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These pending reimbursements will be recognized as revenue when received or available.

The Streetlight Districts Special Revenue Fund, the McDowell Mountain Community Facilities District Special Revenue Fund, and the DC Ranch Community Facilities District Debt Service fund had deficit fund balances of \$79,000, \$132,000, and \$171,000, respectively due to the accrual for the Maricopa County Qasimyar Settlement. The deficit fund balances are expected to be resolved in the next fiscal year.

Preserve Privilege Tax Capital Projects Fund and General Obligation Bond Capital Projects Fund had deficit ending fund balances of \$4,000 and \$174,000 respectively, primarily due to timing differences of cash transfers for accruals and pending an upcoming bond issuance.

D. Fund Balance Classifications

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

(in thousands)	General	General Obligation Bond Debt Service	General CJP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES							
Nonspendable							
Inventory	\$ 570	-	-	-	-	-	\$ 570
Endowment Funds	-	-	-	-	-	\$ 644	644
Total Nonspendable	570	-	-	-	-	644	1,214
Restricted							
Property Tax for Debt Service	-	105	-	-	-	-	105
Transaction Privilege and Highway User Tax for Transportation Capital Improvements	-	-	-	113,558	-	-	113,558
External Contributions for Capital Improvements	-	-	-	-	2,471	-	2,471
GO Bond Proceeds for Capital Improvements	-	-	-	-	-	10,202	10,202
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	-	-	38,455	38,455
Federal Grants for the Community Development Block Grant Program	-	-	-	-	-	222	222
Federal Grants for Housing Choice Voucher Program	-	-	-	-	-	829	829
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	-	-	137,684	137,684
Property Tax for Community Facility Districts	-	-	-	-	-	52	52
Contributions for City Manager Special Events and Programs	-	-	-	-	-	4	4
Contributions for Mayor/City Council Special Events and Programs	-	-	-	-	-	10	10
Court Fees for City Court Improvements to Facilities and Operations	-	-	-	-	-	2,173	2,173
Contributions for City Court Jury Program Refreshments	-	-	-	-	-	12	12
Franchise Capital Recovery Fees to Offset Relocation Expenses	-	-	-	-	-	180	180
APS Improvement District Fees for Underground Utility Upgrades	-	-	-	-	-	33	33
Contribution for the Stormwater Drainage System	-	-	-	-	-	641	641
Contributions for Community and Economic Development	-	-	-	-	-	1	1
Disbursements from AZ State Crime Laboratory Assessment Fund for Crime Lab Services	-	-	-	-	-	156	156
Annual Payment from IGA with the SRP-MIC for Forensic Lab Services	-	-	-	-	-	396	396
Contributions for the Fire Department	-	-	-	-	-	12	12
Contributions for the Police Department	-	-	-	-	-	245	245
Fees for Police Department 30-Day Tow Program	-	-	-	-	-	279	279
Fees for Police Officer Safety Equipment	-	-	-	-	-	201	201
Contributions for the School Resource Officers Crisis Canine Program	-	-	-	-	-	47	47
Other Forfeitures for Police Department	-	-	-	-	-	10	10
Contributions for Pajute Neighborhood Center	-	-	-	-	-	7	7
Contributions for the Scottsdale Cares Program	-	-	-	-	-	234	234
Contributions for Human Services	-	-	-	-	-	11	11
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	-	-	6	6
Golf Course Surcharge for TPC Turf Removal Projects	-	-	-	-	-	65	65
Contributions for Parks and Recreation	-	-	-	-	-	81	81
Contributions for the Libraries	-	-	-	-	-	42	42
Disbursements from Endowments for the Libraries	-	-	-	-	-	9	9
Disbursements from AZ Supreme Court for Smart and Safe Expungements	-	-	-	-	-	2	2
Disbursements from the Smart and Safe AZ Fund for the Fire Department	-	-	-	-	-	963	963
Disbursements from the Smart and Safe AZ Fund for the Police Department	-	-	-	-	-	2,057	2,057
Disbursements from the Opioid Settlement Funds for Human Services	-	-	-	-	-	2,110	2,110
Transient Occupancy Tax for Destination Marketing	-	-	-	-	-	7,213	7,213
Contributions for Stadium Operations	-	-	-	-	-	5,106	5,106
Stadium Surcharge for Debt Service	-	-	-	-	-	2,372	2,372
Endowment Funds	-	-	-	-	-	28	28
Total Restricted	-	\$ 105	-	\$ 113,558	\$ 2,471	\$ 212,150	\$ 328,284

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES							
Committed							
General Fund Contribution for Capital Improvements	\$	-	\$ 155,247	\$	-	-	\$ 155,247
McCormick Railroad Park Improvements	-	-	299	-	-	-	299
In-Lieu Parking Fees for Parking Projects	-	-	494	-	-	-	494
In-Lieu Stormwater Fees for Drainage Improvements	-	-	232	-	-	-	232
Tourism Development Capital Projects	-	-	1,934	-	-	-	1,934
Court Capital Improvement Enhancement Projects	-	-	2,351	-	-	-	2,351
Forensic Science Intergovernmental Agreement Contribution	-	-	-	-	60	-	60
Risk Management Capital Improvement Contribution	-	-	30	-	-	-	30
Stormwater Utility Fee for Capital Improvements	-	-	11,150	-	-	-	11,150
Downtown Fees for Capital Improvements	-	-	1,102	-	-	-	1,102
Downtown Special Capital Improvements	-	-	3,047	-	-	-	3,047
Greater Airport Special Capital Improvements	-	-	1,742	-	-	-	1,742
Scottsdale AZ CARES Capital Improvements	-	-	14	-	-	-	14
Special Event Parking for Capital Improvements	-	-	326	-	-	-	326
Court Enhancement Fees for Upgrades to Court Operations	-	-	-	-	-	4,083	4,083
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	-	-	132	132
In-Lieu Stormwater Fees for Area Drainage Master Studies	-	-	-	-	-	26	26
Downtown Cultural Program for Public Works of Art	-	-	-	-	-	2,102	2,102
Developer Contributions to the Airport Cultural Trust for Public Works of Art	-	-	-	-	-	11	11
In-Lieu Fees for Public Improvement at Airport	-	-	-	-	-	2,831	2,831
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	-	-	123	123
Historic Preservation Program for Rehabilitation of Buildings	-	-	-	-	-	353	353
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	-	-	287	287
Cadet Competition Fees for the Scottsdale Police Department Cadet Program	-	-	-	-	-	21	21
Sponsorship Fees for Events at the Senior Centers	-	-	-	-	-	80	80
Sponsorship Fees for Parks and Recreation Programming	-	-	-	-	-	2	2
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	-	-	1,207	1,207
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	-	-	738	738
Contribution for Habitat Improvements in the Preserve	-	-	-	-	-	344	344
Allocation of Youth Sports Fee for Maintenance/Improvements of Athletic Fields	-	-	-	-	-	689	689
Allocation of Aquatic Fee for Maintenance/Improvements of Aquatic Facilities	-	-	-	-	-	48	48
Retail Sale Revenue for Library Collection Materials	-	-	-	-	-	37	37
Attendee Fees for Westworld User Area Improvements	-	-	-	-	-	2,805	2,805
Transient Occupancy Tax for Tourism Development	-	-	-	-	-	8,231	8,231
Excise Tax for Debt Reserve	-	-	-	-	-	2,683	2,683
Total Committed	-	-	177,968	-	60	26,835	204,861
Unassigned	246,432	-	-	-	(34,948)	(14,725)	196,759
Total Fund Balances	\$ 247,002	\$ 105	\$ 177,968	\$ 113,558	\$ (32,417)	\$ 224,902	\$ 731,118

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The City Council has adopted a financial policy to maintain an operating reserve for the following funds:

- General Fund equal to 20 percent of operating uses, excluding transfers out, to provide stability and flexibility to respond to unexpected events.
- Transportation, Non-major Special Revenue Fund equal to 10 percent of operating uses, excluding transfers out, to provide funding to address fluctuations in economic cycles and unexpected one-time operating requirements.
- Water and Sewer Utility Enterprise Fund equal to 25 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events.
- Airport Enterprise Fund equal to 25 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events.
- Solid Waste Enterprise Fund equal to 15 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events.

The City Council has adopted a financial policy to maintain the following additional reserves:

- General Fund Emergency Reserve of 5 percent of operating uses, excluding transfers out. The reserve is intended for unexpected emergencies and events where immediate action must be taken in the best interest of the city's residents and business owners.
- Water and Sewer Utility Enterprise Fund Asset Replacement Reserve equal to 2 percent of undepreciated book value of tangible fixed assets for repair and maintenance of critical infrastructure.
- General Obligation Bond Debt Service Fund Reserve of no more than 10 percent of the amount of annual principal and interest needed to service the outstanding debt.
- Debt Service Reserve for governmental debt supported by excise taxes, dedicated taxes, or revenues, at a minimum of 25 percent of the next fiscal year's debt service.
- Self-Insurance Reserve at a level that will adequately fund the city's financial obligations for the payment of property, workers' compensation, liability and health benefit losses equal to the actuary's 75 percent confidence level of projected total outstanding claims liability.

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 as of June 30, 2024:

Net Position Restrictions (in thousands)

Water and Sewer

Restricted for Joint Venture Construction Deposits	<u>\$</u> <u>4,907</u>
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Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The city maintains a cash and investment pool for use by most funds. The city holds unexpended General Obligation Bond construction proceeds received at issuance in separate investment accounts. Certain activities of the city's grant funds are also held in separate bank accounts, as well as the Community Facilities Districts and Municipal Property Corporation. The city's endowment funds have investments held separately by a trustee.

The city's investment policy, which is authorized by City Charter, ordinance, and trust agreements permits the city to invest in certain instruments. These instruments include certificates of deposit; repurchase agreements; highly rated commercial paper issued by corporations organized and doing business in the United States; money market mutual funds; highly rated corporate bonds/notes/asset-backed securities denominated in U.S. dollars; obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts, or special taxing districts; and the pooled investment funds established by the Office of the Arizona State Treasurer.

Deposits

As of June 30, 2024, the carrying amount of the city's deposits was \$158,786,069 and the bank balance was \$164,125,247. The \$5,339,178 difference represents outstanding checks, deposits in transit, and other reconciling items.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the city will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits are required to be fully collateralized per the city's investment policy. As of June 30, 2024, \$81,445,765 of the city's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities held by the pledging bank's trust department not in the city's name.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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 five years or less from the date of purchase and the weighted average maturity of the overall investment portfolio to three years or less.

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 - 4	4 - 5
U.S. Government Securities	\$ 699,477	\$ 209,340	\$ 164,104	\$ 65,732	\$ 124,875	\$ 135,426
U.S. Government Agencies	194,172	66,212	68,581	47,188	12,191	-
U.S. Government Instrumentalities	8,682	8,682	-	-	-	-
Corporate Notes	119,494	42,816	70,830	5,848	-	-
Asset-Backed Securities	3,615	-	1,651	1,964	-	-
Total Investments	\$ 1,025,440	\$ 327,050	\$ 305,166	\$ 120,732	\$ 137,066	\$ 135,426

Credit Risk

Generally, credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The city's investment policy limits its investments in:

- Obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities with a maximum maturity of five years
- Bonds, notes, or other evidence of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, which carry a minimum "AA-" or "Aa3" or equivalent rating by at least one NRSRO at the time of purchase with a maximum maturity of five years
- Fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings institutions placed in accordance with the procedures prescribed in Arizona Revised Statutes § 35-323.01 with a maximum maturity of 18 months from the time of purchase
- Negotiable or brokered certificates of deposit within the top two ratings by at least two NRSROs, at the time of purchase, and a maximum maturity of three years
- Commercial paper within the top two ratings of a NRSRO at the time of purchase, issued by corporations organized and doing business in the United States, and a maximum maturity of nine months
- Bonds, debentures, notes, or other evidence of indebtedness with a minimum "A" or better rating, at the time of purchase, from at least two NRSROs, and a maximum maturity of five years

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

- Repurchase agreements with a maximum maturity of 180 days
- Money market funds whose underlying investments are securities, which are allowed by state law and registered under the Investment Company Act of 1940

The city's investments in the investment types referenced above as of June 30, 2024, meet the aforementioned criteria. Presented below are the ratings, as determined by S&P (unless otherwise noted), as of June 30, 2024, for each investment type (in thousands):

Investment Type	Total	A-	A	A+	AA-	AA	AA+	AAAm	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 699,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 699,477
U.S. Government Agencies	194,172	-	-	-	-	-	194,172	-	-	-
U.S. Government Instrumentalities	8,682	-	-	-	-	-	-	-	8,682	-
Corporate Notes	119,494	19,852	15,188	28,156	24,402	6,775	8,133	-	16,988	-
Asset-Backed Securities	3,615	-	-	-	-	-	-	-	3,615	-
Money Market Mutual Funds	26,890	-	-	-	-	-	-	26,890	-	-
Total Investments	\$ 1,052,330	\$ 19,852	\$ 15,188	\$ 28,156	\$ 24,402	\$ 6,775	\$ 202,305	\$ 26,890	\$ 29,285	\$ 699,477

Concentration of Credit Risk

The city's investment guidelines place the following limits on the amount that the city may invest in various security types:

Security Type	Maximum Percent of Portfolio
U.S. Treasury Obligations	80%
Federal Agency Obligations	80%
With One Agency	40%
Instrumentalities (Supranational Debt)	15%
With One Issuer	5%
Certificates of Deposit	20%
With One Financial Institution	5%
Negotiable Certificates of Deposit	20%
With One Issuer	5%
Commercial Paper	35%
With One Issuer	5%
Corporate Indebtedness	35%
With One Issuer	5%
Repurchase Agreements	75%
With One Counterparty	20%
Money Market Funds	35%
Arizona Investment Pool	35%
Municipal Obligations of State of AZ or Political Subdivisions	25%
With One Issuer	5%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The following is a listing by issuer of the city's investments as of June 30, 2024:

(dollars in thousands)

Issuer	Investment Type	Fair Value	Percent of Holdings
United States Treasury	U.S. Govt. Securities	\$ 699,477	68.21%
Federal National Mortgage Association (FNMA)	U.S. Govt. Agencies	76,328	7.44%
Federal Farm Credit Bank (FFCB)	U.S. Govt. Agencies	8,529	0.83%
Federal Home Loan Bank (FHLB)	U.S. Govt. Agencies	50,483	4.92%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Govt. Agencies	58,832	5.74%
Inter-American Development Bank	U.S. Govt Instrumentalities	8,682	0.85%
Adobe Inc.	Corporate Notes	8,053	0.79%
Amazon.com Inc.	Corporate Notes	5,721	0.56%
Apple Inc.	Corporate Notes	8,133	0.79%
Bank of America Co.	Corporate Notes	7,093	0.69%
Bristol-Myers Squibb Co.	Corporate Notes	4,465	0.44%
Cisco Systems Inc	Corporate Notes	8,358	0.82%
Deere & Company	Corporate Notes	3,286	0.32%
Exxon Mobil Corp.	Corporate Notes	4,406	0.43%
Home Depot Inc	Corporate Notes	554	0.05%
Intel Corporation	Corporate Notes	8,069	0.79%
JP Morgan Chase & Co.	Corporate Notes	5,878	0.57%
Microsoft Corp.	Corporate Notes	16,988	1.66%
Morgan Stanley	Corporate Notes	3,942	0.38%
Novartis AG	Corporate Notes	11,638	1.13%
Pepsico Inc.	Corporate Notes	8,472	0.83%
State Street Corp.	Corporate Notes	1,034	0.10%
Target Corp.	Corporate Notes	875	0.09%
Texas Instruments Inc	Corporate Notes	4,640	0.45%
The Bank Of New York Mellon Corp.	Corporate Notes	4,974	0.49%
Toyota Motor Corp.	Corporate Notes	1,860	0.18%
Wal-Mart Stores Inc.	Corporate Notes	1,055	0.10%
Carmax Auto Owner Trust	Asset-Backed Securities	402	0.04%
Discover Financial Services	Asset-Backed Securities	1,964	0.19%
Hyundai Auto Receivables	Asset-Backed Securities	490	0.05%
Toyota Motor Corp.	Asset-Backed Securities	759	0.07%
	Total Investments	\$ 1,025,440	100.00%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Investments

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

Cash on Hand	\$	18
Carrying Amount of City Deposits		158,786
Investments		1,052,330
Endowments		<u>672</u>
Total Cash and Investments	\$	<u>1,211,806</u>

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The city has the following recurring fair value measurements as of June 30, 2024:

Investments Measured at Fair Value

(in thousands)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ -	\$ 699,477	\$ -
U.S. Government Agencies	-	194,172	-
U.S. Government Instrumentalities	-	8,682	-
Corporate Notes	-	119,494	-
Asset-Backed Securities	-	3,615	-
	<u>\$ -</u>	<u>\$ 1,025,440</u>	<u>\$ -</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

U.S. Government Securities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
U.S. Government Agencies	A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years; an Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features; and final spreads are added to a U.S Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.
U.S. Government Instrumentalities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Corporate Notes	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Asset-Backed Securities	A single cash flow stream model is utilized.

Total city cash and investments as of June 30, 2024 are reported as follows (in thousands):

Primary Government	
Cash and Investments	\$ 1,096,091
Cash with Fiscal Agent	110,609
Other Restricted Cash	<u>5,106</u>
Total Cash and Investments	<u><u>\$ 1,211,806</u></u>

Investment income is comprised of the following for the fiscal year ended June 30, 2024 (in thousands):

Net Interest	\$ 33,483
Net Increase in the Fair Value of Investments	<u>19,988</u>
Total Net Investment Income	<u><u>\$ 53,471</u></u>

The net increase in the fair value of investments for the fiscal year was \$19,988,072. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the fiscal year.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

B. Endowments

The city is the sole beneficiary of four permanent endowment funds, held and managed by the Arizona Community Foundation (Foundation). The endowment funds are managed in accordance with Arizona Revised Statute §10-11803, which governs the appropriation for expenditure or accumulation of endowment funds. The spending policy of the Foundation is communicated to the city annually. Distribution pursuant to the spending policy shall be based upon recommendation of the city, made by and through the City Council. As of June 30, 2024, the amount of donor-restricted endowment funds available for authorization and expenditure is \$27,700.

C. Receivables

Receivables as of June 30, 2024, 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 Activities and Internal Service Funds

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
Receivables							
Property Taxes and Penalties							
Property	\$ 1,345	\$ 1,237	\$ -	\$ -	\$ -	\$ 51	\$ 2,633
Court	67,369	-	-	-	-	1,933	69,302
Subtotal Property Taxes and Penalties	<u>68,714</u>	<u>1,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,984</u>	<u>71,935</u>
Other Local Taxes							
Privilege	23,493	-	-	2,106	-	11,412	37,011
Transient Occupancy	-	-	-	-	-	2,307	2,307
State Shared Sales	1,152	-	-	-	-	-	1,152
Franchise Fee	3,339	-	-	-	-	90	3,429
Auto Lieu	477	-	-	-	-	-	477
Highway User	-	-	-	-	-	1,911	1,911
Subtotal Other Local Taxes	<u>28,461</u>	<u>-</u>	<u>-</u>	<u>2,106</u>	<u>-</u>	<u>15,720</u>	<u>46,287</u>
Intergovernmental/Grants	<u>-</u>	<u>-</u>	<u>4,724</u>	<u>15,814</u>	<u>34,500</u>	<u>13,447</u>	<u>68,485</u>
Interest and Other							
Interest	3,364	-	-	329	1	1,752	5,446
Leases	33,651	-	-	-	-	56	33,707
Miscellaneous	6,436	-	75	-	300	4,757	11,568
Subtotal Interest and Other	<u>43,451</u>	<u>-</u>	<u>75</u>	<u>329</u>	<u>301</u>	<u>6,565</u>	<u>50,721</u>
Gross Receivables	140,626	1,237	4,799	18,249	34,801	37,716	237,428
Less: Allowances for Uncollectibles	<u>(57,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,648)</u>	<u>(59,120)</u>
Net Total Receivables	<u>\$ 83,154</u>	<u>\$ 1,237</u>	<u>\$ 4,799</u>	<u>\$ 18,249</u>	<u>\$ 34,801</u>	<u>\$ 36,068</u>	<u>\$ 178,308</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The following agreements include governmental fund receivables that are not expected to be collected within the next year:

- The city has an improvement district for underground utilities with expected reimbursements from impacted property owners to pay \$322,495 with interest through November 2032.
- Through the use of Community Development Block Grant (CDBG) funds, the city issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2024, the loan balances totaled \$1,944,385, of which the majority is not expected to be collected within the next year.
- The city has an intergovernmental agreement with the Arizona State Land Department to reimburse the city for capital expenditures for street and drainage improvements of \$20,537,852 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.
- The city is a participant in the One Arizona Distribution of Opioid Settlement Funds agreement which is part of the nationwide Opioid Settlement. The city received \$2,411,516 through June 30, 2024, and anticipates receiving additional estimated payments of \$9,176,729 through 2038.
- The city has various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year.

Business-type Activities and Enterprise Funds

(in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Privilege Tax	\$ -	\$ 37	\$ -	\$ 37
Charges for Services	22,240	436	3,686	26,362
Intergovernmental	1,765	12	-	1,777
Interest	2,196	65	76	2,337
Lease	15	15,816	-	15,831
Public-Private Partnership	-	9,347	-	9,347
Miscellaneous	3,216	9	28	3,253
	<u>29,432</u>	<u>25,722</u>	<u>3,790</u>	<u>58,944</u>
Gross Receivables	29,432	25,722	3,790	58,944
Less: Allowances for Uncollectibles	(100)	-	(22)	(122)
Net Total Receivables	<u>\$ 29,332</u>	<u>\$ 25,722</u>	<u>\$ 3,768</u>	<u>\$ 58,822</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The following agreements include enterprise fund receivables that are not expected to be collected within the next year:

- The city has an intergovernmental agreement with the Arizona State Land Department to reimburse the city for capital expenditures for water and sewer improvements of \$1,565,043 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.
- Within the business-type activity the city has various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year.

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

	<u>Unavailable</u>	<u>Unearned</u>
Property Tax	\$ 1,580	\$ -
Transient Occupancy Tax	237	-
Court	3,724	-
Privilege Occupancy Tax	6,862	-
Intergovernmental	67,093	7,464
Other	4,732	2,303
Total	<u>\$ 84,228</u>	<u>\$ 9,767</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, was as follows (in thousands):

Governmental Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated/amortized				
Land	\$ 3,451,209	\$ 47,172	-	\$ 3,498,381
Construction in Progress	142,756	183,006	(96,714)	229,048
Total Capital Assets, not being depreciated/amortized	<u>3,593,965</u>	<u>230,178</u>	<u>(96,714)</u>	<u>3,727,429</u>
Capital Assets, being depreciated/amortized				
Buildings and Land Improvements	896,496	19,991	(5,080)	911,407
Streets and Storm Drains	2,028,606	55,009	(79)	2,083,536
Motor Vehicles	97,142	11,342	(4,692)	103,792
Machinery and Equipment*	91,366	18,818	(1,961)	108,223
Lease Buildings and Land Improvements	2,733	-	-	2,733
Lease Motor Vehicles	1,342	793	(598)	1,537
Lease Machinery and Equipment	615	1,330	-	1,945
Public-Public Partnership Buildings and Land Improvements	61,206	29,185	-	90,391
Subscription-Based I.T. Arrangements	10,851	14,323	(6,828)	18,346
Total Capital Assets, being depreciated/amortized	<u>3,190,357</u>	<u>150,791</u>	<u>(19,238)</u>	<u>3,321,910</u>
Less Accumulated depreciation:				
Buildings and Land Improvements	445,198	26,562	(4,789)	466,971
Streets and Storm Drains	1,347,464	56,066	(37)	1,403,493
Motor Vehicles	54,780	9,319	(4,252)	59,847
Machinery and Equipment*	53,653	7,699	(1,751)	59,601
Less Accumulated amortization:				
Lease Buildings and Land Improvements	1,080	262	-	1,342
Lease Motor Vehicles	683	362	(423)	622
Lease Machinery and Equipment	144	330	-	474
Public-Public Partnership Buildings and Land Improvements	5,514	6,381	-	11,895
Subscription-Based I.T. Arrangements	5,474	3,740	(3,734)	5,480
Total Accumulated depreciation/amortization	<u>1,913,990</u>	<u>110,721</u>	<u>(14,986)</u>	<u>2,009,725</u>
Total Capital Assets, being depreciated/amortized, net	<u>1,276,367</u>	<u>40,070</u>	<u>(4,252)</u>	<u>1,312,185</u>
Governmental Activities Capital Assets, net	<u>\$ 4,870,332</u>	<u>\$ 270,248</u>	<u>\$ (100,966)</u>	<u>\$ 5,039,614</u>

*The Machinery and Equipment category beginning balance was increased by \$6,940 and accumulated depreciation increased by \$3,210 due to a prior period adjustment for the implementation of GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

(in thousands):

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, not being depreciated/amortized				
Land	\$ 52,781	\$ -	\$ -	\$ 52,781
Water Rights	87,171	-	-	87,171
Construction in Progress	68,889	98,469	(66,973)	100,385
Total Capital Assets, not being depreciated/amortized	<u>208,841</u>	<u>98,469</u>	<u>(66,973)</u>	<u>240,337</u>
Capital Assets, being depreciated/amortized				
Water System	1,480,437	63,199	(5,727)	1,537,909
Sewer System	717,460	34,180	(467)	751,173
Buildings and Land Improvements	141,942	2,463	(309)	144,096
Machinery and Equipment*	11,054	1,182	(2,776)	9,460
Motor Vehicles	1,151	-	(523)	628
Furniture, Fixtures, and Office Equipment	1,954	26	(145)	1,835
Lease Machinery and Equipment	116	47	-	163
Subscription-Based I.T. Arrangements	318	35	(196)	157
Total Capital Assets, being depreciated/amortized	<u>2,354,432</u>	<u>101,132</u>	<u>(10,143)</u>	<u>2,445,421</u>
Less Accumulated depreciation:				
Water System	681,106	41,625	-	722,731
Sewer System	327,340	19,766	-	347,106
Buildings and Land Improvements	41,660	5,459	(225)	46,894
Machinery and Equipment*	6,390	879	(2,640)	4,629
Motor Vehicles	894	43	(309)	628
Furniture, Fixtures, and Office Equipment	1,208	246	(142)	1,312
Less Accumulated amortization:				
Lease Machinery and Equipment	18	29	-	47
Subscription-Based I.T. Arrangements	158	96	(196)	58
Total Accumulated depreciation/amortization	<u>1,058,774</u>	<u>68,143</u>	<u>(3,512)</u>	<u>1,123,405</u>
Total Capital Assets, being depreciated/amortized, net	<u>1,295,658</u>	<u>32,989</u>	<u>(6,631)</u>	<u>1,322,016</u>
Business-type Activities Capital Assets, net				
	<u>\$ 1,504,499</u>	<u>\$ 131,458</u>	<u>\$ (73,604)</u>	<u>\$ 1,562,353</u>

*The Machinery and Equipment category beginning balance was increased by \$524 and accumulated depreciation increased by \$153 due to a prior period adjustment for the implementation of GASB Implementation Guide No. 2021-11, *Implementation Guidance Update - 2021*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

Governmental Activities	
City Clerk	\$ 2
City Auditor	1
City Attorney	20
City Court	50
City Manager	48
Public Works	63,692
Community and Economic Development	3,106
Public Safety	6,949
City Treasurer	236
Community Services	20,186
Administrative Services	4,668
Scottsdale AZ Cares	117
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>11,646</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u><u>\$ 110,721</u></u>
Business-type Activities	
Water and Sewer System	\$ 62,427
Airport	5,377
Solid Waste	<u>339</u>
Total Depreciation/Amortization Expense - Business-type Activities	<u><u>\$ 68,143</u></u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Construction Commitments

The city has active construction projects as of June 30, 2024. At year end the government's commitments with contractors for specific projects are as follows (in thousands):

Capital Project Program Classification	Spent to Date	Remaining Commitment
Aviation	\$ 1,683	\$ 1,263
Drainage and Flood Control	593	3,060
Fire Protection	15,997	13,604
Municipal Facilities	8,518	17,753
Neighborhood and Community	8,727	1,775
Parks	20,087	33,727
Police	10,729	6,186
Preservation	430	262
Streets	108,291	32,657
Technology	4,181	10,371
Traffic	337	175
Transit	598	1,219
Wastewater	27,234	16,973
Water	68,087	27,039
Total Construction Commitments	\$ 275,492	\$ 166,064
Governmental Activities		
General CIP Construction Capital Projects Fund	\$ 42,908	\$ 45,562
Transportation Privilege Tax Fund	92,069	27,015
External Sources Fund	11,591	6,221
Nonmajor Governmental Funds	27,063	28,594
Internal Service Funds	1,958	10,330
Total Governmental Activities	175,589	117,722
Business-type Activities		
Water and Sewer Utility	97,574	45,370
Airport	1,684	1,263
Solid Waste	645	1,709
Total Business-type Activities	99,903	48,342
Total Construction Commitments	\$ 275,492	\$ 166,064

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

E. Interfund Balances and Interfund Transfers

Due To and Due From Other Funds

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2024, is as follows (in thousands):

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 30,958	External Sources Capital Project Fund	\$ 30,958
General Fund	1,495	Nonmajor Governmental Funds	1,495
Total	<u>\$ 32,453</u>	Total	<u>\$ 32,453</u>

The External Sources Capital Project Fund, HOME Special Revenue Fund, Grant Special Revenue Fund and Streetlights Special Revenue Fund had deficit cash balances of \$30,958,000, \$307,000, \$1,178,000, and \$10,000, respectively, due to pending reimbursements from intergovernmental agreements, grants, and timing difference of property tax revenues respectively.

Interfund Transfers

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

Net Transfers (in thousands)

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General	\$ 89,108	\$ 17,957
Debt Service - General Obligation Bond	-	35,464
Capital Projects - General CIP Construction	1,719	93,623
Capital Projects - Transportation	-	35,189
Capital Projects - External Sources	1,000	20
Nonmajor Governmental Funds	103,315	22,502
Total Governmental Funds	<u>195,142</u>	<u>204,755</u>
Enterprise Funds		
Water and Sewer Utility	9,652	-
Total Enterprise Funds	<u>9,652</u>	<u>-</u>
Internal Service Funds		
Self-Insurance	29	68
Total Internal Service Funds	<u>29</u>	<u>68</u>
Total Transfers	<u>\$ 204,823</u>	<u>\$ 204,823</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

F. Leases

City as Lessee

The city, as a lessee, has entered into lease agreements involving a baseball facility, printing and imaging equipment, a street sweeper and accompanying transport trailer, motor vehicles, a distributed antenna system, water quality monitoring and treatment equipment, park equipment, a data center facility space, situational awareness cameras, and a document inserter. The city subleases the baseball facility to a professional baseball team. The payments related to the park equipment are based on a percentage of revenue earned by the city and are therefore not included in the measurement of the lease liability. This amount totaled \$374,160 for the fiscal year ended June 30, 2024. The city also made \$65,708 of payments on a month-to-month basis after the conclusion of motor vehicle leases; these payments were excluded from the measurement of the lease liability.

The total of the city's lease assets are recorded at a cost of \$6,378,000 less accumulated amortization of \$2,485,000.

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

	Leases		
	Principal	Interest	Total
2025	\$ 1,007	\$ 228	\$ 1,235
2026	1,006	161	1,167
2027	652	100	752
2028	328	64	392
2029	110	44	154
2030-2034	102	196	298
2035-2039	155	170	325
2040-2044	205	135	340
2045-2049	276	89	365
2050-2054	272	28	300
Total	<u>\$ 4,113</u>	<u>\$ 1,215</u>	<u>\$ 5,328</u>

City as Lessor

The city, as a lessor, has entered into lease agreements involving land, baseball facilities, airport facilities, and building space. The baseball facility is leased from the City of Phoenix and subleased to a professional baseball team. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$11,871,176. This total includes \$7,770, 245 of variable and other payments not previously included in the measurement of the lease receivable.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

G. Subscription-Based Information Technology Arrangements

The city has obtained the right to use various desktop and server software, cloud backup services, payroll and human resources software, and other intangible right-to-use software under the provisions of various subscription-based information technology arrangements (SBITAs).

The total of the city's subscription assets are recorded at a cost of \$18,503,000, less accumulated amortization of \$5,538,000.

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

	<u>Subscriptions</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,446	\$ 571	\$ 3,017
2026	2,485	441	2,926
2027	1,758	298	2,056
2028	1,864	192	2,056
2029	1,342	81	1,423
Total	<u>\$ 9,895</u>	<u>\$ 1,583</u>	<u>\$ 11,478</u>

In addition to the amounts presented above, the city also had outflows of resources during the fiscal year totaling \$1,047,731 that were not included in the measurement of the subscription liability. This total consists of a \$51,000 variable amount that is based on the number of licenses used by the city related to the remote location court appearance software. Additionally, \$996,731 for payments related to arrangements that either have interminable subscriptions terms or that are prepaid and otherwise meet SBITA recognition criteria but have a subscription term of less than two years.

The city has committed to SBITAs involving web content management system software, an enterprise resource planning system, a permitting/code enforcement system, and a lobby management system. These SBITAs are currently being implemented, and the city has paid a total of \$2,406,617 related to these agreements. These outflows were recorded as prepayments as of June 30, 2024.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

H. Public-Public Partnerships and Public-Private Partnerships

City as Operator

The city, as the operator, has entered into the following public-public partnerships (PPPs) with the United States Bureau of Reclamation (BOR):

Land use agreement at Westworld. Under the agreement, the city operates and develops the land where the city’s WestWorld operation is located for a period of 50 years (through July 28, 2032) (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. The city pays the BOR annually and has recognized an intangible right-to-use asset with a net book value of \$63,653,697 at fiscal year-end, which includes land improvements paid for by the city, and a related liability in the amount of \$1,823,581. A discount rate of four percent was used to calculate the liability.

Recreational land use agreement at Tournament Players Club. Under the agreement, the city operates and develops the land where the city’s Tournament Players Club (TPC) operation is located for a period of 50 years (through June 17, 2035) (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. The city pays the BOR annually and has recognized an intangible right-to-use asset with a net book value of \$14,842,291 at fiscal year-end, which includes land improvements paid for by the city, and a related liability in the amount of \$2,544,228. A discount rate of four percent was used to calculate the liability.

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

	PPPs		
	Principal	Interest	Total
2025	\$ 284	\$ 175	\$ 459
2026	318	163	481
2027	355	150	505
2028	394	137	531
2029	436	121	557
2030-2034	2,222	317	2,539
2035	359	14	373
Total	<u>\$ 4,368</u>	<u>\$ 1,077</u>	<u>\$ 5,445</u>

City as Transferor

The city, as the transferor, has entered into public-private partnerships (PPPs) with the following operators:

Two fixed-base operators (FBOs) at Scottsdale Airport. Under the agreements, the FBOs have the right to operate the Airport facilities and provide aeronautical services such as flight instruction, aircraft charter service, and aircraft storage for periods of 30 years (through November 4, 2031) (with an option for the operator to extend for an additional 10 years) for one operator and 40 years, (through January 31, 2059) for the other.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The FBOs pay the city monthly, and the city has recognized a PPP receivable and a related deferred inflow of resources involving these agreements. Additionally, the operators have made improvements totaling \$44,918,300 that are recognized as an asset by the city. The carrying value of these improvements at fiscal year-end is \$24,760,248 and the city reports a deferred inflow of resources at year-end pursuant to the public-private partnership agreement. There are additional improvements that were in progress as of June 30, 2024, that will be conveyed to the city upon their completion (scheduled for fiscal year 2025). As of June 30, 2024, the combined PPP receivable and deferred inflow of resources were reported in the amounts of \$9,347,387 and \$34,712,145, respectively. A discount rate of four percent was used to calculate the PPP receivable.

Food services operator at Westworld. Under the agreement, the Westworld operator has the right to use city facilities, such as kitchens and certain related areas, for the preparation of food and alcohol for immediate consumption at Westworld for a period of one year. This agreement was originally scheduled to expire on June 30, 2024; however, it was extended on a month-to-month basis upon the cessation of the original term. The Westworld operator pays a percentage fee based on its sales; this fee totaled \$941,401 for the fiscal year ended June 30, 2024.

Concession services operator at Scottsdale Stadium. Under the agreement, the Scottsdale Stadium (Stadium) operator has the right to provide concession services, alcoholic beverage services, and catering services on an exclusive basis during certain Stadium events for a period of five years (through December 31, 2025) (with a mutual option to renew for up to two additional five-year periods). The Stadium operator pays a percentage fee based on its sales; this fee totaled \$305,715 for the fiscal year ended June 30, 2024.

Facility operator at the Silverado Golf Course. Under the agreement, the Silverado Golf Course (Silverado) operator has the right to use Silverado to operate the golf course and provide related ancillary services, such as the operation of a pro-shop and clubhouse; the provision of golfing and golf course management instruction; and the operation of conference, banquet, restaurant, and meeting facilities within the clubhouse for a period of 35 years (through April 14, 2032) (with an option for the operator to extend for up to two additional 10-year periods). Additionally, the operator has made improvements totaling \$2,725,775 that are recognized as an asset by the city. The carrying value of these improvements at year-end is \$1,390,145, and the city reports a deferred inflow of resources in the amount of \$2,415,647 at year-end pursuant to the public-private partnership agreement. The Silverado operator pays a percentage fee based on its sales; this fee totaled \$366,479 for the fiscal year ended June 30, 2024.

Facility operator at The Scottsdale Center for the Performing Arts, Scottsdale Civic Center, and The Scottsdale Museum of Contemporary Art. Under the agreement, the Scottsdale Center for the Performing Arts, Scottsdale Civic Center, and Scottsdale Museum of Contemporary Art (city-owned facilities) operator has the right to manage, operate, and program each of the city-owned facilities; related tasks include scheduling, booking, promoting, administering, and creating and presenting exhibitions, events, and programs at the city-owned facilities for a period of five years (through June 30, 2025) (with a mutual option to renew for one additional five-year period). The city-owned facilities operator pays a percentage fee based on its sales; this fee totaled \$27,773 for the fiscal year ended June 30, 2024.

In total, the city had inflows of \$1,641,368 from variable payments not included in the measurement of the city's receivable for installment payments.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

I. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding as of June 30, 2024. The totals shown are the principal amount outstanding, net of the amount due July 1, 2024.

General Obligation Bonds

General Obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, public safety, and general-purpose improvements. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. As of June 30, 2024, the city has \$256,544,516 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the city and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve. As of June 30, 2024, the city has \$186,091,600 of unissued various purpose GO bonds that were authorized in November 2019.

Municipal Property Corporation Bonds

The City of Scottsdale Municipal Property Corporation (MPC) is a non-profit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the city's excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. These bonds are recorded as both governmental and business-type activities long-term debt. A portion of the 2006 MPC Excise Tax Revenue Refunding Bonds, a portion of the 2015A MPC Excise Tax Revenue Bonds, the 2015 MPC Excise Tax Revenue Refunding Bonds, the 2017 MPC Excise Tax Revenue Refunding Bonds, the 2017A MPC Excise Tax Revenue Bonds, the 2021A MPC Excise Tax Revenue Refunding Bonds, and a portion of the 2021B MPC Taxable Excise Tax Revenue Refunding Bonds are recorded in and paid by the Water and Sewer Enterprise Fund. The 2017B MPC Excise Tax Revenue Bonds are recorded in and paid by the Airport Enterprise Fund.

The city has pledged to repay \$557,684,252 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2024, payable through 2039. Bonds issued prior to July 1, 2010, were pledged by revenues that included transient occupancy tax while bonds issued after this date exclude transient occupancy tax. The coverage ratio (revenues to debt service) for 2024 for MPC bonds is 6.78 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$423,537,154. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$48,995,708 and \$332,395,354, respectively.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

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

Community Facilities Districts General Obligation Bonds

Community Facilities District General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special taxing districts created to provide a funding mechanism to finance construction, acquisition, operation, and maintenance of public infrastructure that benefits real property within the CFD. 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 full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3 to 1 prior to issuance of debt 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Bonds payable as of June 30, 2024, consisted of the following:

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

General Obligation Bonds	Bonds Outstanding (in thousands)
2014 Preservation Bonds (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. On December 30, 2020, \$6,690,000 due 2027 through 2034 was defeased. Original issue amount \$14,000,000.	\$ 1,430
2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. On December 30, 2020, \$3,290,000 due 2029 through 2034 was refunded. Original issue amount \$160,415,000.	38,505
2017A Preservation Bonds (issued March 8, 2017) due in annual installments of \$1,825,000 to \$2,545,000 through July 1, 2034; interest at 4 percent to 5 percent. Original issue amount \$17,410,000.	17,410
2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.	30,090
2017C Various Purpose Bonds (issued December 6, 2017) due in annual installments of \$1,690,000 to \$6,800,000 through July 1, 2027; interest at 5 percent. Original issue amount \$25,500,000.	7,180
2020 Taxable Refunding Bonds (issued December 30, 2020) due in annual installments of \$2,155,000 to \$33,150,000 through July 1, 2034; interest at 0.15 percent to 1.64 percent. Original issue amount \$168,220,000.	151,475
2021 Various Purpose Bonds (issued February 10, 2021) due in annual installments of \$1,135,000 to \$1,965,000 through July 1, 2040; interest at 2 percent to 4 percent. Original issue amount \$31,390,000.	26,450
2021 Various Purpose Taxable Bonds (issued February 10, 2021) due in annual installments of \$325,000 to \$1,195,000 through July 1, 2040; interest at 1.35 percent to 3 percent. Original issue amount \$19,770,000.	16,860
2023 Various Purpose Bonds (issued February 1, 2023) due in annual installments of \$1,475,000 to \$1,975,000 through July 1, 2042; interest at 4 percent to 5 percent. Original issue amount \$34,175,000.	32,200
2023 Various Purpose Taxable Bonds (issued February 1, 2023) due in annual installments of \$1,975,000 to \$2,525,000 through July 1, 2042; interest at 4.30 percent to 5 percent. Original issue amount \$39,530,000.	37,510
Total General Obligation Bonds Outstanding	<u>\$ 359,110</u>

Some of the above General Obligation Bonds are paid from the 0.2 percent and 0.15 percent Preservation Sales Taxes.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

	<u>Bonds Outstanding (in thousands)</u>
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 35,040
2014 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued May 29, 2014) due in annual installments of \$1,730,000 to \$3,040,000 through July 1, 2027; interest at 1.75 percent to 5 percent. Original issue amount \$22,735,000.	7,125
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$685,000 due in 2027 was refunded. Original issue amount \$12,200,000.	6,795
2015A Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	8,690
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	7,735
2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000.	26,640
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$330,000 to \$9,410,000 through July 1, 2035; interest at 0.14 percent to 1.91 percent. Original issue amount \$71,325,000.	<u>61,490</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 153,515</u>
	<u>Bonds Outstanding (in thousands)</u>
Community Facilities Districts General Obligation Bonds - Direct Placements	
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	\$ 3,615
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 through July 15, 2032; interest at 2.47. Original issue amount \$2,563,000.	<u>1,658</u>
Total Community Facilities Districts General Obligation Bonds - Direct Placements	<u>\$ 5,273</u>
Total Bonds Payable Recorded in Governmental Activities	<u>\$ 517,898</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

	Bonds Outstanding (in thousands)
Municipal Property Corporation Bonds	
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.	\$ 32,995
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$1,040,000 due in 2027 was refunded. Original issue amount \$18,485,000.	10,295
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. On February 17, 2021, \$11,257,479 due 2027 through 2028 was refunded. Original issue amount \$46,811,731.	10,140
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. On February 17, 2021, \$38,350,000 due 2031 through 2033 and 2035 through 2036 was defeased. Original issue amount \$79,970,000.	37,340
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	29,155
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	17,600
2021A Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in a single installment of \$7,920,000 on July 1, 2030; interest at 5 percent. Original issue amount \$7,920,000.	7,920
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$145,000 to \$12,750,000 through July 1, 2036; interest at 0.14 percent to 1.96 percent. Original issue amount \$63,860,000.	59,095
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 204,540</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 204,540</u>
Total Long-Term Bonds Payable	<u>\$ 722,438</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Statutory Debt Limitation

Under the provisions of Article 9, Section 8 of the Arizona Constitution, outstanding General Obligation (GO) bonded debt (including outstanding “excess premium,” as defined in Arizona Revised Statutes Title 35, Chapter 3, Articles 3 and 4) issued for water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety facilities, and streets and transportation facilities may not exceed 20 percent of a city’s assessed valuation. Outstanding GO bonded debt for all other purposes may not exceed 6 percent of a city’s assessed valuation. GO bonds of community facilities districts are not subject to or included in this calculation. The following summarizes the city’s legal GO bonded debt borrowing capacity as of June 30, 2024:

General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety Facilities, and Streets and Transportation Facilities		General Obligation Bonds Issued for All Other Purposes			
20% Constitutional Limit	\$	2,278,851,130	6% Constitutional Limit	\$	683,655,339
Less General Obligation			Less General Obligation		
20% Bonds Outstanding		(351,404,000)	6% Bonds Outstanding		(7,706,000)
Excess Premium		(12,192,677)	Excess Premium		(880,964)
Available 20% Limitation Borrowing Capacity	\$	1,915,254,453	Available 6% Limitation Borrowing Capacity	\$	675,068,375

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, 2024.

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 and business-type activities columns of the financial statements.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The following table reflects refunded debt outstanding as of June 30, 2024, net of any amounts to be paid or retired by the trustee on July 1, 2024 (in thousands):

Refunded Debt Outstanding

2015 GO Refunding Bonds	\$	3,290
2015A MPC Excise Tax Revenue Bonds		1,725
2015 MPC Excise Tax Revenue Refunding Bonds		36,435
2017 MPC Excise Tax Revenue Refunding Bonds		38,350
	\$	79,800

Contracts Payable

The city has entered into contracts related to the financing of an underground utility facilities improvement district, field maintenance equipment, and I.T. hardware equipment. The following is a summary of debt service to maturity for the long-term contracts as of June 30, 2024:

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

	Contracts Payable - Direct Borrowings
	(in thousands)
Contract payable to PNC Bank for the financing of an underground utility facilities improvement district; due in annual installments through 2033; interest at 5.72 percent.	\$ 245
Contract payable to John Deere Financial for the financing of field maintenance equipment; due in annual installments through 2027; interest at 2.99 percent.	84
Contract payable to Axon Enterprise, Inc. for the financing of I.T. hardware equipment; due in annual installments through 2027 interest at 6.00 percent.	1,457
	\$ 1,786

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the fiscal year ended June 30, 2024 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 419,615	\$ -	\$ (60,505)	\$ 359,110	\$ 55,595
Municipal Property Corporation Bonds	167,450	-	(13,935)	153,515	14,445
Community Facilities Districts General Obligation Bonds - Direct Placements	6,583	-	(1,310)	5,273	1,355
Add Issuance Premiums	28,683	-	(4,120)	24,563	-
Total Bonds Payable	<u>622,331</u>	<u>-</u>	<u>(79,870)</u>	<u>542,461</u>	<u>71,395</u>
Contracts Payable - Direct Borrowings	1,083	1,876	(1,173)	1,786	403
Leases	2,947	1,990	(940)	3,997	974
Public-Public Partnerships	4,620	-	(252)	4,368	284
Subscriptions	4,363	11,944	(6,496)	9,811	2,405
Risk Management Claims	21,145	40,552	(40,739)	20,958	10,235
Compensated Absences	33,145	14,643	(14,522)	33,266	16,222
Total Other Postemployment Benefit Liability	699	164	-	863	-
Net Pension Liabilities	<u>327,796</u>	<u>-</u>	<u>(8,915)</u>	<u>318,881</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,018,129</u>	<u>\$ 71,169</u>	<u>\$ (152,907)</u>	<u>\$ 936,391</u>	<u>\$ 101,918</u>

Internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the fiscal year ended June 30, 2024, \$449,000 of accrued compensated absences is included in the above amount for internal service funds. For the governmental activities, the General Fund, special revenue funds, and internal service funds generally liquidate accrued compensated absences, the total OPEB liability, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$78,000 in the governmental funds.

Business-type Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Municipal Property Corporation Bonds	\$ 226,540	\$ -	\$ (22,000)	\$ 204,540	\$ 17,450
Add Issuance Premiums	15,891	-	(2,126)	13,765	-
Total Bonds Payable	<u>242,431</u>	<u>-</u>	<u>(24,126)</u>	<u>218,305</u>	<u>17,450</u>
Leases	96	47	(27)	116	33
Subscriptions	144	35	(95)	84	41
Compensated Absences	4,563	2,242	(2,406)	4,399	2,197
Net Pension Liabilities	34,729	-	(1,450)	33,279	-
Pollution Remediation Obligation	<u>45,599</u>	<u>-</u>	<u>(413)</u>	<u>45,186</u>	<u>-</u>
Business-type Activities Long-Term Liabilities	<u>\$ 327,562</u>	<u>\$ 2,324</u>	<u>\$ (28,517)</u>	<u>\$ 301,369</u>	<u>\$ 19,721</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2024:

Governmental Activities
(in thousands)

Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety Facilities, and Streets and Transportation Facilities			General Obligation Bonds Issued For All Other Purposes			Total General Obligation Bonds		
	20% Limitation			6% Limitation					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 55,177	\$ 9,716	\$ 64,893	\$ 418	\$ 296	\$ 714	\$ 55,595	\$ 10,012	\$ 65,607
2026	41,876	8,673	50,549	424	277	701	42,300	8,950	51,250
2027	36,979	7,528	44,507	431	258	689	37,410	7,786	45,196
2028	35,701	6,325	42,026	439	238	677	36,140	6,563	42,703
2029	26,394	5,216	31,610	446	218	664	26,840	5,434	32,274
2030-2034	109,632	16,591	126,223	2,328	791	3,119	111,960	17,382	129,342
2035-2039	31,961	5,920	37,881	2,369	360	2,729	34,330	6,280	40,610
2040-2044	13,684	1,005	14,689	851	53	904	14,535	1,058	15,593
2045-2049	-	-	-	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-	-	-	-
Total	\$ 351,404	\$ 60,974	\$ 412,378	\$ 7,706	\$ 2,491	\$ 10,197	\$ 359,110	\$ 63,465	\$ 422,575

Fiscal Year	Municipal Property Corporation Bonds			Leases			Community Facilities Districts General Obligation Bonds - Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2025	\$ 14,445	\$ 4,398	\$ 18,843	\$ 974	\$ 219	\$ 1,193	\$ 1,355	\$ 164
2026	15,020	3,958	18,978	971	155	1,126	1,400	120	1,520
2027	15,680	3,532	19,212	625	96	721	1,445	74	1,519
2028	16,450	3,092	19,542	313	63	376	204	27	231
2029	17,805	2,654	20,459	104	44	148	209	21	230
2030-2034	58,275	7,189	65,464	102	196	298	660	33	693
2035-2039	15,840	1,223	17,063	155	170	325	-	-	-
2040-2044	-	-	-	205	135	340	-	-	-
2045-2049	-	-	-	276	89	365	-	-	-
2050-2054	-	-	-	272	28	300	-	-	-
Total	\$ 153,515	\$ 26,046	\$ 179,561	\$ 3,997	\$ 1,195	\$ 5,192	\$ 5,273	\$ 439	\$ 5,712

Fiscal Year	Public-Public Partnerships			Subscriptions			Contracts Payable - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2025	\$ 284	\$ 175	\$ 459	\$ 2,405	\$ 567	\$ 2,972	\$ 403	\$ 102
2026	318	163	481	2,442	439	2,881	423	79	502
2027	355	150	505	1,758	298	2,056	434	55	489
2028	394	137	531	1,864	192	2,056	435	30	465
2029	436	121	557	1,342	81	1,423	38	4	42
2030-2034	2,222	317	2,539	-	-	-	53	3	56
2035-2039	359	14	373	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-	-	-	-
2045-2049	-	-	-	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-	-	-	-
Total	\$ 4,368	\$ 1,077	\$ 5,445	\$ 9,811	\$ 1,577	\$ 11,388	\$ 1,786	\$ 273	\$ 2,059

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Governmental Activities (in thousands)

Fiscal Year	Total Governmental Activities		
	Principal	Interest	Total
2025	\$ 75,461	\$ 15,637	\$ 91,098
2026	62,874	13,864	76,738
2027	57,707	11,991	69,698
2028	55,800	10,104	65,904
2029	46,774	8,359	55,133
2030-2034	173,272	25,120	198,392
2035-2039	50,684	7,687	58,371
2040-2044	14,740	1,193	15,933
2045-2049	276	89	365
2050-2054	272	28	300
Total	\$ 537,860	\$ 94,072	\$ 631,932

Business-type Activities (in thousands)

Fiscal Year	Municipal Property Corporation Bonds			Subscriptions			Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 17,450	\$ 7,240	\$ 24,690	\$ 41	\$ 4	\$ 45	\$ 33	\$ 9	\$ 42
2026	18,440	6,427	24,867	43	2	45	35	6	41
2027	19,465	5,561	25,026	-	-	-	27	4	31
2028	20,445	4,894	25,339	-	-	-	15	1	16
2029	17,430	4,175	21,605	-	-	-	6	-	6
2030-2034	84,810	9,841	94,651	-	-	-	-	-	-
2035-2039	26,500	1,299	27,799	-	-	-	-	-	-
Total	\$ 204,540	\$ 39,437	\$ 243,977	\$ 84	\$ 6	\$ 90	\$ 116	\$ 20	\$ 136

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2025	\$ 17,524	\$ 7,253	\$ 24,777
2026	18,518	6,435	24,953
2027	19,492	5,565	25,057
2028	20,460	4,895	25,355
2029	17,436	4,175	21,611
2030-2034	84,810	9,841	94,651
2035-2039	26,500	1,299	27,799
Total	\$ 204,740	\$ 39,463	\$ 244,203

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

V. OTHER INFORMATION

A. Risk Management

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. As of June 30, 2024, the city's general, worker's compensation, auto and property liabilities claims payable totaled \$18,251,000 and the self-insured benefits claims payable totaled \$2,707,000.

	Fiscal Year Ended June 30 (in thousands)	
	2024	2023
Claims Payable, July 1	\$ 21,145	\$ 26,029
Current Year Claims Incurred	40,552	36,284
Current Year Claim Payments	<u>(40,739)</u>	<u>(41,168)</u>
Claims Payable, June 30	<u>\$ 20,958</u>	<u>\$ 21,145</u>

B. Contingent Liabilities

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

The city has entered into several agreements whereby it will reimburse developers a portion of development costs, interest, or sales tax generated on their site for a period of time and up to a maximum dollar amount. Depending on the terms of the agreement, the city does not become liable for payment until certain milestones are met. The city's estimated contingent liability related to these agreements as of June 30, 2024, is \$43.3 million.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

C. Subsequent Events

In July 2024, the MPC Board approved the redemption in advance of maturity the remaining \$7,125,000 of the MPC Excise Tax Revenue Refunding Bonds, Series 2014. The bonds were redeemed in August 2024.

D. Joint Ventures

Sub-Regional Operating Group (SROG)

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

The city records its share of SROG's cash deposits, operating revenues, operating expenses, and its equity in the joint venture in the City's Water and Sewer Fund. For the fiscal year ended June 30, 2023, the latest audited information available from SROG, the city's net investment in SROG was \$76,966,000 or 13.18 percent of the equity balance. For the fiscal year ended June 30, 2024, the city paid \$975,506 in contributions, shared in estimated revenues of \$2,677,612, estimated shared expenditures of \$12,553,961, resulting in a total estimated equity balance as of June 30, 2024, of \$63,158,217 and cash deposits of \$4,906,940.

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, for SROG (the latest SROG Annual Comprehensive Financial Report available) may be obtained from the Finance Department, City of Phoenix, Calvin C. Goode Building, Ninth Floor, 251 West Washington Street, Phoenix, AZ 85003.

Regional Wireless Cooperative (RWC)

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The city records its share of contributions to the RWC, third party contributions paid to the RWC for the benefit of the city, and equity in the joint venture in the city's proprietary funds and government-wide financial statements. The equity balance as of June 30, 2023, the latest audited information available from RWC, was \$3,333,306 or 6.36 percent of the RWC's total net position. The city contributed \$368,449 for the fiscal year ended June 30, 2024, and shared in estimated depreciation expenses of \$592,431, resulting in an estimated equity balance as of June 30, 2024, of \$3,109,324. The RWC Annual Comprehensive Financial Statement is available from the Regional Wireless Cooperative, 200 West Washington Street, 14th Floor, Phoenix, Arizona, 85003-1611.

E. Pollution Remediation

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The measurement of the city's pollution remediation obligation liability includes all remediation work that the city expects to perform, including work expected to be performed for the participating companies. To estimate the CGTF liability, 17 projected cash flows, based on the prior 17 years of historical costs and weighted equally, were used to calculate an average annual cost. To estimate the NGTF liability, eleven projected cash flows, based on the prior eleven years of historical costs and weighted equally, were used to calculate an average annual cost. These average costs were then projected over the remaining remediation period of 50 years for the CGTF and the NGTF. The EPA estimated in its September 2011 review that future remediation will be required for approximately 50-70 years at each site. The most recent five-year EPA review, released in November 2022, did not quantify the remedial time needed to achieve aquifer restoration.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. The fiscal year 2024 reimbursable outlays for operating and monitoring the CGTF were \$677,577 and for the NGTF were \$226,143. 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.

In September 2023, under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. §§ 9601-9675, the United States Environmental Protection Agency (EPA) identified the City of Scottsdale and another party as potentially responsible parties for soil vapor contamination (chlorinated solvents) at the North Indian Bend Wash Superfund Site, Area 7. Upon completion of a Remedial Investigation and Feasibility Study, the EPA will choose a remedy for the site. The potential remedies vary greatly in scope and cannot be reasonably estimated until the completion of the study.

F. Related Organization

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

G. Pension, Retirement, and Other Postemployment Benefit Plans

All eligible employees of the city, including the Mayor and the City Council, are covered by one of four pension plans. All full-time city employees, except public safety personnel (police officers and firefighters) and the Mayor and City Council, participate in the Arizona State Retirement System, a cost-sharing multiple-employer defined benefit pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which consists of both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The Mayor and City Council participate in either the Elected Officials' Retirement Plan (a cost-sharing multiple-employer defined benefit pension plan) or the Elected Officials' Defined Contribution Retirement System (a defined contribution plan). The city contributes to the Elected Officials' Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. All plans are component units of the State of Arizona.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

In addition to pension benefits, the city provides other postemployment benefits (OPEB) to Public Safety Personnel Retirement System accidental disability retirees through the city's self-insured health plan. The benefit terms are the same as those afforded to active employees; however, retirees participating in the Plan are required to pay 100 percent of the blended actuarial rate.

A summary of pension and other postemployment benefit related items as of and for the year-ended June 30, 2024 is presented below (in thousands):

<u>Plan Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Outflows of Resources			
PSPRS - Police	\$ 58,212	\$ -	\$ 58,212
PSPRS - Fire	35,939	-	35,939
ASRS	17,750	4,571	22,321
OPEB - City	490	-	490
Total	<u>\$ 112,391</u>	<u>\$ 4,571</u>	<u>\$ 116,962</u>
Liabilities			
PSPRS - Police	\$ 156,510	\$ -	\$ 156,510
PSPRS - Fire	34,470	-	34,470
ASRS	127,901	33,279	161,180
OPEB - City	863	-	863
Total	<u>\$ 319,744</u>	<u>\$ 33,279</u>	<u>\$ 353,023</u>
Deferred Inflows of Resources			
PSPRS - Police	\$ 2,368	\$ -	\$ 2,368
PSPRS - Fire	2,674	-	2,674
ASRS	8,069	2,099	10,168
OPEB - City	1,903	-	1,903
Total	<u>\$ 15,014</u>	<u>\$ 2,099</u>	<u>\$ 17,113</u>
Pension/OPEB Expense			
PSPRS - Police	\$ 24,454	\$ -	\$ 24,454
PSPRS - Fire	10,076	-	10,076
EODCRS - Elected	17	-	17
ASRS	14,410	4,136	18,546
OPEB - City	(110)	-	(110)
Total	<u>\$ 48,847</u>	<u>\$ 4,136</u>	<u>\$ 52,983</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Arizona State Retirement System

General Information about the Pension Plan

Plan Description

All eligible city employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (ASRS). ASRS administers a cost-sharing multiple-employer defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the State and participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes (ARS). ASRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azasrs.gov/content/annual-reports>. The ASRS other postemployment benefit plans are not further disclosed due to their relative insignificance to the financial statements.

Benefits Provided

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

<u>Years of Service</u>	<u>Multiplier</u>
0.00-19.99 years	2.10%
20.00-24.99 years	2.15%
25.00-29.99 years	2.20%
30.00 or more years	2.30%

<u>Membership Date</u>	<u>Average Monthly Compensation</u>
Pre-July 1, 2011	36 consecutive months of highest compensation within final 120 months of service
July 1, 2011 and after	60 consecutive months of highest compensation within final 120 months of service

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Contributions

The ARS provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of the city's covered payroll. Although the statutes prescribe the basis for making the actuarial calculation, the Arizona legislature is authorized to approve a contribution rate other than the actuarially determined rate. Employees were required to contribute 12.14 percent of their annual pay for the fiscal year ended June 30, 2024, and the city's required contribution rate was 12.03 percent during the same period. In addition, the city was required by statute to contribute at the actuarially determined rate of 9.94 percent of annual covered payroll of retired members who worked for the city in positions that would typically be filled by an employee who contributes to the ASRS. The required contribution rate for the fiscal year ended June 30, 2024, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. Contributions to the pension plan by the city amounted to \$17,223,000 for the fiscal year ended June 30, 2024.

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

As of June 30, 2024, the city reported a liability of \$161,180,137 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2022. Update procedures were used to roll forward the total pension liability to the measurement date. The city's proportion of the collective net pension liability was based on the city's proportionate share of accrued contributions to the pension plan relative to the contributions of all participating entities for the fiscal year ended June 30, 2023. As of June 30, 2023, the city's proportion was 0.99608 percent, which was a decrease of 0.04392 percent under its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the city recognized a collective pension expense of \$18,546,413. As of June 30, 2024, the city reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,642	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,702
Changes in proportion and differences between city contributions and proportionate share of contributions	1,456	4,466
City contributions subsequent to the measurement date	17,223	-
Total	<u>\$ 22,321</u>	<u>\$ 10,168</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The \$17,223,000 reported as a collective deferred outflow of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2025	\$	(1,847)
2026		(8,661)
2027		6,146
2028		(708)
2029		-
Thereafter		-

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average remaining service lives
Experience gain/loss	Average remaining service lives
Proportion/proportionate share gain/loss	Average remaining service lives
Asset valuation	Fair value
Discount rate	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The ASRS Board adopted the experience study recommended changes which were first applied to the June 30, 2021, actuarial valuation.

The expected long-term rate of return on ASRS pension plan investments was determined to be 4.66 percent (excluding investment expense and inflation) using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Public Equity	44%	3.50%	1.54%
Credit	23%	5.90%	1.36%
Real Estate	17%	5.90%	1.00%
Private Equity	10%	6.70%	0.67%
Interest Rate Sensitive	6%	1.50%	0.09%
Total	<u>100%</u>		<u>4.66%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made on the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the city's proportionate share of the collective net pension liability calculated using the discount rate of 7.0 percent, as well as what the city's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate (in thousands):

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the collective net pension liability	\$ 241,424	\$ 161,180	\$ 94,271

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The financial statements of ASRS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America that apply to government accounting of fiduciary funds issued by the Governmental Accounting Standards Board. Benefits and refunds are recognized when due and payable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Cash and short-term investments generally include cash, foreign currencies, short-term investment funds, and U.S. Treasury bills that mature within one year. These investments are reported at cost. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System

General Information about the Pension Plan

Plan Description

All the city's sworn public safety personnel participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The defined contribution plan is only available to police department members who became a member on or after July 1, 2017, and fire department members who became a member on or after January 1, 2012. The defined benefit and defined contribution pension plans are administered in accordance with Title 38, Chapter 5, Articles 4 and 4.1, respectively, of the Arizona Revised Statutes (ARS). PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees (the Board) and 231 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <https://www.psprs.com/investments--financials/annual-reports>. The PSPRS other postemployment benefit plan is not further disclosed due to its relative insignificance to the financial statements.

Benefits Provided

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

3. 25 or more years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year of credited service above 20 years - up to a maximum of 80 percent of the average monthly benefit compensation.

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

1. Age 52.5 with 15 years of credited service but less than 25 years: average monthly benefit compensation multiplied by a multiplier that varies by years of service, from 1.5 percent to 2.5 percent per year of service, multiplied by the number of years of service.
2. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.
3. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, or the monthly Normal Retirement pension that the member is entitled to receive if he or she retired immediately, whichever is greater.
Catastrophic Disability Retirement:	90% of Average Monthly Benefit Compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of Average Monthly Benefit Compensation and the member's accrued normal pension.
Ordinary Disability Retirement:	Normal Retirement pension that the member is entitled to receive, prorated based on Credited Service earned over the required Credited Service for Normal Retirement (maximum ratio of 1).

Survivor benefits are paid on behalf of an active member in the amount of 80 percent of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the benefit is 100 percent of the member's Average Monthly Benefit Compensation. The benefit amount is allocated to the surviving spouse and, if applicable, eligible children. If there is no surviving spouse, and there is at least one eligible child, the guardian of the eligible child(ren) and the eligible child(ren) are the recipients of the benefit. If there is no surviving spouse or eligible child(ren), the member's named refund beneficiary on file will receive the member's accumulated contributions. Benefits are paid on behalf of an inactive, non-retired member to the member's named beneficiary in the amount of the member's accumulated contributions. Death benefits are paid on behalf of a retired member in a manner similar to that of an active member. The surviving spouse will receive 80 percent of the member's pension benefit for life.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

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

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

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

Employees Covered by Benefit Terms

As of June 30, 2024, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	394
Inactive plan members entitled to but not yet receiving benefits	174
Active plan members	<u>568</u>
Total	<u><u>1,136</u></u>

Contributions

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The city's pension-related contribution rates for fiscal year ended June 30, 2024 were:

Police	Tier 1		Tier 2		Tier 3	
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later	
Plan type	Defined benefit	Defined benefit	Defined benefit	Defined benefit	Defined contribution	
Employee contribution rate	7.65%	7.65%	7.65%	9.06%	9.00%	
Employer contribution rate	57.76%	57.76%	57.76%	52.84%	52.78%	

Fire	Tier 1		Tier 2		Tier 3		
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined contribution
Employee contribution rate	7.65%	7.65%	7.65%	3.00%	10.31%	3.00%	9.00%
Employer contribution rate	23.90%	23.90%	23.90%	4.00%	19.78%	3.00%	18.47%

Participants' defined contributions and the earnings on those contributions are immediately vested. A participant is fully vested in employer contributions after ten years of service; the vesting occurs at a rate of ten percent per year. If a participant dies or is determined to be eligible for an accidental or catastrophic disability pension before completing ten years of service, the employer contributions are immediately fully vested. In addition, the city was required by statute to contribute an actuarially determined rate (43.78 percent for police employees and 9.47 percent for fire employees) of annual covered payroll of retired members who worked for the city in positions that would typically be filled by an employee who contributes to PSPRS. The city's contributions to the pension plan for the fiscal year ended June 30, 2024, were \$37,885,409.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district that procures the services of a private fire company and in each area served by a fire department or legally organized fire district. The annual tax provided by law is based on a portion of the premiums received on policies and contracts of fire insurance covering property within the state. The warrant issued by the state treasurer is deposited on the city's behalf into the pension plan. PSPRS received \$2,754,257 of fire insurance premium tax for the city's fire pension plan for the fiscal year ended June 30, 2024. PSPRS accounts for the fire insurance premium tax collected for the city as employer contributions.

Net Pension Liability

The city's net pension liability of \$190,980,242 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2023, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	0.75%-12.50%
Tier 1/2 Investment Rate of Return	7.20%
Tier 3 Investment Rate of Return	7.00%
Mortality rates	

Active Lives: PubS-2010 Employee mortality, adjusted by a factor of 1.03 for male members and 1.08 for female members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). 100% of active deaths are assumed to be in the line of duty.

Inactive Lives: PubS-2010 Healthy Retiree mortality, adjusted by a factor of 1.03 for male retirees and 1.11 for female retirees, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

Beneficiaries: PubS-2010 Survivor mortality, adjusted by a factor of 0.98 for male beneficiaries and adjusted by a factor of 1.06 for female beneficiaries, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

Disabled Lives: PubS-2010 Disabled mortality, adjusted by a factor of 1.08 for male disabled members and 1.01 for female disabled members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022, actuarial valuation.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The long-term expected rate of return on pension plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation adopted as of June 30, 2023, as provided by PSPRS, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash - Mellon	2%	0.69%
Diversifying Strategies	5%	3.68%
Core Bonds	6%	1.90%
Other Assets (Capital Appreciation)	7%	4.49%
International Public Equity	16%	4.49%
Global Private Equity	20%	7.28%
Private Credit	20%	6.19%
U.S. Public Equity	24%	3.98%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for Tier 1/2 members and 7.00 percent for Tier 3 members. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PSPRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/23	\$ 443,112	\$ 279,404	\$ 163,708
Changes for the year:			
Service cost	7,212	-	7,212
Interest	31,619	-	31,619
Changes of benefit terms	-	-	-
Differences between expected and actual experience	13,210	-	13,210
Changes of assumptions	-	-	-
Contributions-employer	-	33,258	(33,258)
Contributions-employee	-	3,315	(3,315)
Net investment income	-	22,790	(22,790)
Benefit payments, including refunds of employee contributions	(22,333)	(22,333)	-
Administrative expense	-	(133)	133
Tiers 1 & 2 adjustment	-	-	-
Other changes	-	9	(9)
Net changes	<u>29,708</u>	<u>36,906</u>	<u>(7,198)</u>
Balances at 6/30/24	<u>\$ 472,820</u>	<u>\$ 316,310</u>	<u>\$ 156,510</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/23	\$ 177,484	\$ 148,418	\$ 29,066
Changes for the year:			
Service cost	6,197	-	6,197
Interest	13,099	-	13,099
Changes of benefit terms	-	-	-
Differences between expected and actual experience	7,071	-	7,071
Changes of assumptions	-	-	-
Contributions-employer	-	6,540	(6,540)
Contributions-employee	-	3,378	(3,378)
Net investment income	-	11,892	(11,892)
Benefit payments, including refunds of employee contributions	(3,501)	(3,501)	-
Administrative expense	-	(63)	63
Tiers 1 & 2 adjustment	-	(783)	783
Other changes	-	(1)	1
Net changes	22,866	17,462	5,404
Balances at 6/30/24	\$ 200,350	\$ 165,880	\$ 34,470

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

The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent for Tier 1/2 members and 7.00 percent for Tier 3 members, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20/6.00 percent) or 1-percentage-point higher (8.20/8.00 percent) than the current rate (in thousands):

	1% Decrease (6.20%/6.00%)	Discount Rate (7.20%/7.00%)	1% Increase (8.20%/8.00%)
Police net pension liability	\$ 221,299	\$ 156,510	\$ 103,735
Fire net pension liability	64,870	34,470	9,682

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. PSPRS financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

PSPRS investments are reported at fair value. Short-term investments are reported at cost plus accrued interest. Derivative instruments' fair values are determined by the custodial agent. The fair value of limited partnership investments is based on estimated current value and accepted industry practice.

Fair value measurements are categorized within the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Fair values are determined as follows:

- Level 1 - Unadjusted quoted prices for identical instruments in active markets
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable

The fair value of alternative investments is based on the investments' NAV per share. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner of each fund or by the investment manager responsible for that sector.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

For the fiscal year ended June 30, 2024, the city recognized pension expense of \$34,109,831 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$420,300 related to the defined contribution plan and the defined contribution portion of the hybrid plan. As of June 30, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,436	\$ 5,042
Changes of assumptions	7,521	-
Net difference between projected and actual earnings on pension plan investments	4,309	-
City contributions subsequent to the measurement date	37,885	-
Total	<u>\$ 94,151</u>	<u>\$ 5,042</u>

City contributions subsequent to the measurement date of \$37,885,409 were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2025	\$ 11,403
2026	5,683
2027	16,048
2028	5,404
2029	3,216
Thereafter	9,470

Elected Officials' Defined Contribution Retirement System

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Benefit terms, including contribution requirements, for EODCRS are established by Title 38, Chapter 5, Article 3.1 of the Arizona Revised Statutes (ARS) and may be amended by the State of Arizona. For each member of EODCRS, the city is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the city's contributions and earnings on those contributions. For the fiscal year ended June 30, 2024, the city recognized pension expense of \$17,251.

Postemployment Benefits Other Than Pensions (OPEB)

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

Plan Description

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

Benefits Provided

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

As of June 30, 2024, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>669</u>
Total	<u><u>682</u></u>

Total OPEB Liability

The city's total OPEB liability of \$863,000 was measured as of July 1, 2023, as determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.25% wage inflation plus merit and longevity increases ranging from 0.0% to 11.75%
Discount Rate	4.13%
Healthcare Cost Trend Rates*	6.30% for 2024, 7.50% for 2025, and then decreasing 0.5% per year to an ultimate rate of 4.50% for 2031 and later years
Retirees' Share of Benefit-Related Costs	100%

*The initial trend rate reflects the city's actual projected cost increases from fiscal year 2024 to 2025.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the following:

Healthy Police and Fire retirees:	SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021
Disabled Police and Fire retirees:	SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021
Surviving Spouses:	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Changes in the Total OPEB Liability

(in thousands)

	<u>Total OPEB Liability</u>
Balance at 6/30/23	\$ 699
Changes for the year:	
Service cost	79
Interest	31
Differences between expected and actual experience	197
Changes of assumptions/other inputs	(72)
Benefit payments	(71)
Net changes	<u>164</u>
Balance at 6/30/24	<u>\$ 863</u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 4.09 percent as of the beginning of the year to 4.13 percent as of the end of the year.
2. The termination rates for public safety employees have been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2023.
3. The retirement rates for public safety employees have been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2023.
4. The salary scale for public safety employees has been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2023.
5. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2024 to fiscal year 2025, followed by an annual trend of 7.5 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

The following presents the total OPEB liability of the city, as well as what the city's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current discount rate (in thousands):

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB Liability	\$ 898	\$ 863	\$ 829

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

The following presents the total OPEB liability of the city, as well as what the city's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.50 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.50 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Total OPEB Liability	\$ 812	\$ 863	\$ 921

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

For the year ended June 30, 2024, the city recognized OPEB expense of \$(109,717). As of June 30, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 180	\$ 969
Change of assumptions or other inputs	183	934
City benefits paid subsequent to the measurement date	127	-
Total	<u>\$ 490</u>	<u>\$ 1,903</u>

The \$127,386 reported as a deferred outflow of resources related to OPEB resulting from city benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal year ending June 30:

2025	\$ (219)
2026	(219)
2027	(219)
2028	(209)
2029	(209)
Thereafter	(465)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

H. Other Postemployment Benefits

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

The projected liability for active employees, as of June 30, 2024, was \$16,311,934. The projected liability was considered payable within one year or greater, and therefore considered noncurrent and included in both the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2024, actuarial valuation include: a) mortality rates based on the SOA Pub-2010 General (for non-PSPRS-eligible personnel)/Public Safety (for PSPRS-eligible personnel) Headcount Weighted Mortality Table fully generational using Scale MP-2021; b) interest compounded 4.0 percent annually; c) salary increases at a rate of 4 percent based on payroll experience and future expectations; and d) Traditional Unit Credit cost method based on participant data as of December 31, 2023.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the collective net pension liability	0.996080%	1.040000%	1.009390%	1.050150%	1.049160%	1.055510%	1.056820%	1.086990%	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$161,180	\$169,751	\$132,630	\$181,954	\$152,665	\$147,206	\$164,632	\$175,451	\$171,304	\$163,142
City's covered payroll	\$130,436	\$124,179	\$110,303	\$114,944	\$110,748	\$105,097	\$107,259	\$101,917	\$101,962	\$99,077
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	123.57%	136.70%	120.24%	158.30%	137.85%	140.07%	153.49%	172.15%	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: The Arizona State Retirement System report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azsrs.gov/content/annual-reports>.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 7,212	\$ 7,411	\$ 7,480	\$ 7,402	\$ 8,154	\$ 7,103	\$ 7,841	\$ 6,603	\$ 6,537	\$ 6,363
Interest	31,619	30,359	29,613	27,559	25,834	24,013	22,479	20,570	19,640	16,898
Changes of benefit terms	-	-	-	-	-	-	2,584	17,206	-	3,987
Differences between expected and actual experience	13,210	3,688	(4,736)	12,629	3,089	4,880	(921)	(3,203)	87	(896)
Changes of assumptions or other inputs	-	4,494	-	-	9,123	-	9,028	11,023	-	22,122
Benefit payments, including refunds of employee contributions	(22,333)	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Net change in total pension liability	29,708	23,349	10,817	30,052	29,688	20,521	24,772	38,140	11,429	36,063
Total pension liability-beginning	443,112	419,763	408,946	378,894	349,206	328,685	303,913	265,773	254,344	218,281
Total pension liability-ending (a)	\$ 472,820	\$ 443,112	\$ 419,763	\$ 408,946	\$ 378,894	\$ 349,206	\$ 328,685	\$ 303,913	\$ 265,773	\$ 254,344
Plan fiduciary net position										
Contributions-employer	\$ 33,258	\$ 56,142	\$ 19,326	\$ 18,854	\$ 17,387	\$ 15,491	\$ 11,888	\$ 11,710	\$ 8,970	\$ 7,997
Contributions-employee	3,315	3,216	3,063	3,649	3,343	3,438	3,983	4,230	3,944	3,495
Net investment income	22,790	(11,123)	55,286	2,471	9,714	11,537	17,104	842	5,113	17,047
Benefit payments, including refunds of employee contributions	(22,333)	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Administrative expense	(133)	(200)	(260)	(202)	(171)	(176)	(152)	(122)	(125)	(137)
Other changes	9	11	21	35	9	(34)	(134)	(36)	(243)	(50)
Net change in plan fiduciary net position	36,906	25,443	55,896	7,269	13,770	14,781	16,450	2,565	2,824	15,941
Plan fiduciary net position-beginning	279,404	253,961	198,065	190,914	177,208	162,427	145,977	143,412	140,588	124,647
Adjustment to Beginning of Year	-	-	-	(118)	(64)	-	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 316,310	\$ 279,404	\$ 253,961	\$ 198,065	\$ 190,914	\$ 177,208	\$ 162,427	\$ 145,977	\$ 143,412	\$ 140,588
City's net pension liability-ending ((a) - (b))	\$ 156,510	\$ 163,708	\$ 165,802	\$ 210,881	\$ 187,980	\$ 171,998	\$ 166,258	\$ 157,936	\$ 122,361	\$ 113,756
Plan fiduciary net position as a percentage of the total pension liability	66.90%	63.05%	60.50%	48.43%	50.39%	50.75%	49.42%	48.03%	53.96%	55.27%
Covered payroll	\$ 35,260	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
City's net pension liability as a percentage of covered payroll	443.87%	473.97%	497.17%	601.33%	594.35%	493.27%	490.49%	477.54%	369.95%	361.84%

Note: The Public Safety Personnel Retirement System report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 6,197	\$ 5,760	\$ 5,565	\$ 5,457	\$ 6,378	\$ 5,098	\$ 5,009	\$ 4,077	\$ 3,720	\$ 3,509
Interest	13,099	11,338	10,094	8,387	7,654	6,729	5,797	4,655	4,037	3,449
Changes of benefit terms	-	-	-	-	-	-	639	7,546	-	(448)
Differences between expected and actual experience	7,071	12,155	4,095	11,517	(2,821)	(2,004)	1,264	(877)	994	462
Changes of assumptions or other inputs	-	347	-	-	2,644	-	1,881	3,303	-	1,157
Benefit payments, including refunds of employee contributions	(3,501)	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Net change in total pension liability	22,866	26,252	17,296	23,656	12,596	8,776	13,658	17,274	8,060	7,349
Total pension liability-beginning	177,484	151,232	133,936	110,280	97,684	88,908	75,250	57,976	49,916	42,567
Total pension liability-ending (a)	\$ 200,350	\$ 177,484	\$ 151,232	\$ 133,936	\$ 110,280	\$ 97,684	\$ 88,908	\$ 75,250	\$ 57,976	\$ 49,916
Plan fiduciary net position										
Contributions-employer	\$ 6,540	\$ 10,807	\$ 4,704	\$ 4,219	\$ 2,830	\$ 6,061	\$ 2,737	\$ 2,974	\$ 2,247	\$ 2,392
Contributions-employee	3,378	6,882	2,502	2,653	2,946	1,981	2,551	2,693	2,337	2,629
Net investment income	11,892	(5,847)	30,222	1,307	4,863	5,520	7,822	358	2,046	6,294
Benefit payments, including refunds of employee contributions	(3,501)	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Administrative expense	(63)	(105)	(140)	(106)	(85)	(85)	(70)	(52)	(50)	(51)
Tiers 1 & 2 adjustment	(783)	-	-	-	-	-	-	-	-	-
Other changes	(1)	11	-	-	-	16	1	(53)	12	(60)
Net change in plan fiduciary net position	17,462	8,400	34,830	6,368	9,295	12,446	12,109	4,490	5,901	10,424
Plan fiduciary net position-beginning	148,418	140,018	105,188	98,906	89,627	77,181	65,072	60,582	54,681	44,257
Adjustment to Beginning of Year	-	-	-	(86)	(16)	-	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 165,880	\$ 148,418	\$ 140,018	\$ 105,188	\$ 98,906	\$ 89,627	\$ 77,181	\$ 65,072	\$ 60,582	\$ 54,681
City's net pension liability (asset)-ending ((a) - (b))	\$ 34,470	\$ 29,066	\$ 11,214	\$ 28,748	\$ 11,374	\$ 8,057	\$ 11,727	\$ 10,178	\$ (2,606)	\$ (4,765)
Plan fiduciary net position as a percentage of the total pension liability (asset)	82.80%	83.62%	92.58%	78.54%	89.69%	91.75%	86.81%	86.47%	104.49%	109.55%
Covered payroll	\$ 28,153	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
City's net pension liability as a percentage of covered payroll	122.44%	107.58%	43.53%	114.14%	46.66%	34.74%	49.90%	47.34%	0.00%	0.00%

Note: The Public Safety Personnel Retirement System report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments-financials/annual-reports>.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 17,223	\$ 15,538	\$ 14,892	\$ 13,242	\$ 13,151	\$ 12,384	\$ 11,437	\$ 11,540	\$ 11,049	\$ 11,092
Employer contributions in relation to the statutorily required contribution	(17,223)	(15,538)	(14,892)	(13,242)	(13,151)	(12,384)	(11,437)	(11,540)	(11,049)	(11,092)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 143,550	\$ 130,436	\$ 124,179	\$ 110,303	\$ 114,944	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917	\$ 101,962
Contributions as a percentage of covered payroll	12.00%	11.91%	11.99%	12.01%	11.44%	11.18%	10.88%	10.76%	10.84%	10.88%

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

	2024 ⁽¹⁾	2023 ⁽¹⁾	2022 ⁽¹⁾	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 22,161	\$ 22,196	\$ 20,225	\$ 19,171	\$ 18,850	\$ 17,296	\$ 15,341	\$ 12,328	\$ 11,635	\$ 8,921
Employer contributions in relation to the actuarially determined contribution	(33,621)	(33,501)	(56,145)	(19,171)	(18,850)	(17,296)	(15,341)	(12,328)	(11,635)	(8,921)
Contribution deficiency (excess)	\$ (11,460)	\$ (11,305)	\$ (35,920)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 38,996	\$ 35,260	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075
Contributions as a percentage of covered payroll	86.22%	95.01%	162.55%	57.49%	53.75%	54.69%	44.00%	36.37%	35.18%	26.97%

⁽¹⁾ City made additional contributions during fiscal years 2022 through 2024 to pay down total pension liability.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

	2024	2023	2022 ⁽¹⁾	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 7,018	\$ 6,155	\$ 5,533	\$ 4,731	\$ 4,167	\$ 4,577	\$ 3,924	\$ 2,840	\$ 2,626	\$ 2,276
Employer contributions in relation to the actuarially determined contribution	(7,018)	(6,155)	(10,533)	(4,731)	(4,167)	(4,577)	(3,924)	(2,840)	(2,626)	(2,276)
Contribution deficiency (excess)	\$ -	\$ -	\$ (5,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 27,619	\$ 28,153	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420
Contributions as a percentage of covered payroll	25.41%	21.86%	38.99%	18.36%	16.54%	18.78%	16.92%	12.09%	12.22%	11.15%

⁽¹⁾ City made additional contributions during fiscal year 2022 to pay down total pension liability.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability and Related Ratios							
Last Seven Fiscal Years (dollars in thousands)							
Total OPEB liability							
Service cost	\$ 79	\$ 101	\$ 323	\$ 274	\$ 236	\$ 241	\$ 260
Interest	31	19	58	83	89	85	67
Differences between expected and actual experience	197	(106)	(236)	(587)	(261)	(278)	(230)
Changes of assumptions/other inputs	(72)	(62)	(1,100)	121	126	(38)	125
Benefit payments	(71)	(84)	(137)	(145)	(116)	(101)	(111)
Net change in total OPEB liability	164	(132)	(1,092)	(254)	74	(91)	111
Total OPEB liability-beginning	699	831	1,923	2,177	2,103	2,194	2,083
Total OPEB liability-ending	<u>\$ 863</u>	<u>\$ 699</u>	<u>\$ 831</u>	<u>\$ 1,923</u>	<u>\$ 2,177</u>	<u>\$ 2,103</u>	<u>\$ 2,194</u>
Covered-employee payroll	\$ 55,666	\$ 53,352	\$ 50,459	\$ 53,874	\$ 55,023	\$ 52,970	\$ 51,137
Total OPEB liability as a percentage of covered-employee payroll	1.55%	1.31%	1.65%	3.57%	3.96%	3.97%	4.29%

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

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

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

II. FACTORS THAT AFFECT TRENDS

Arizona State Retirement System (ASRS)

The actuarial assumptions related to funding used in the June 30, 2022, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The major changes in assumptions involved the investment return, the inflation rate, general wage inflation, and future permanent benefit increases. The ASRS Board adopted the recommended changes from the experience study, which were first applied to the June 30, 2021, actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2023, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes, which were applied beginning with the June 30, 2022, actuarial valuation. The total liabilities as of June 30, 2023, reflected changes in actuarial assumptions based on the results of the actuarial experience study, including decreasing the discount rate from 7.3 percent to 7.2 percent, changing the wage inflation rate from 3.5 percent to a range of 3.25-15.0 percent, and increasing the cost-of-living adjustment rate from 1.75 percent to 1.85 percent.

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds have either legal restrictions stipulated by an external party or are committed through formal action by the City Council to be used for a specified purpose.

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

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

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

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

Housing Choice Voucher Program Fund. This fund receives and expends the city's Housing Choice Voucher Program 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. Housing Choice Voucher Program revenues may be used only for assistance approved by HUD and are subject to agency expenditure guidelines.

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Community Facilities Districts (CFD) Funds

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

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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

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

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

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

Debt Service Funds

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

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

Debt Service Stabilization Fund. This fund consists of amounts committed by the City Council to be used for the repayment of debt, as well as stadium surcharge amounts restricted for the payment of debt service.

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

DC Ranch CFD

Waterfront Commercial CFD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Capital Projects Funds

Capital Projects Funds account for the resources used to acquire, construct, and improve major capital assets other than those financed by proprietary funds. Capital Projects Funds allow the city to compile project cost data, comply with the city's capitalization policy, and demonstrate that legal or contractual requirements of funding sources are fully satisfied.

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

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

Permanent Funds

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

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

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

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

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 218,971	\$ 5,056	\$ 6,527	\$ 672	\$ 231,226
Cash with Fiscal Agent	7	17,869	-	-	17,876
Receivables (net of allowance for uncollectibles)					
Interest	1,739	-	13	-	1,752
Privilege Tax	11,412	-	-	-	11,412
Transient Occupancy Tax	2,307	-	-	-	2,307
Property Tax	2	49	-	-	51
Franchise Fee	90	-	-	-	90
Court	286	-	-	-	286
Highway User Tax	1,911	-	-	-	1,911
Intergovernmental	11,190	-	-	-	11,190
Grants	2,257	-	-	-	2,257
Leases	56	-	-	-	56
Miscellaneous	4,119	-	-	-	4,119
Total Assets	<u>\$ 254,347</u>	<u>\$ 22,974</u>	<u>\$ 6,540</u>	<u>\$ 672</u>	<u>\$ 284,533</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 4,113	\$ 1	\$ 6,706	\$ -	\$ 10,820
Accrued Payroll and Benefits	701	-	12	-	713
Due to Other Funds	1,495	-	-	-	1,495
Matured Bond Interest Payable	-	2,505	-	-	2,505
Matured Bonds Payable	-	15,245	-	-	15,245
Unearned Revenue					
Intergovernmental	6,691	-	-	-	6,691
Other	403	-	-	-	403
Due to Other Governments	853	288	-	-	1,141
Guaranty and Other Deposits	5	-	-	-	5
Other	66	-	-	-	66
Total Liabilities	<u>14,327</u>	<u>18,039</u>	<u>6,718</u>	<u>-</u>	<u>39,084</u>
Deferred Inflows of Resources					
Unavailable Revenues	18,298	22	-	-	18,320
Leases	2,227	-	-	-	2,227
Total Deferred Inflows of Resources	<u>20,525</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>20,547</u>
Total Liabilities and Deferred Inflows of Resources	<u>34,852</u>	<u>18,061</u>	<u>6,718</u>	<u>-</u>	<u>59,631</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	644	644
Restricted	199,519	2,401	10,202	28	212,150
Committed	24,150	2,683	-	-	26,833
Unassigned	(4,174)	(171)	(10,380)	-	(14,725)
Total Fund Balances (Deficits)	<u>219,495</u>	<u>4,913</u>	<u>(178)</u>	<u>672</u>	<u>224,902</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 254,347</u>	<u>\$ 22,974</u>	<u>\$ 6,540</u>	<u>\$ 672</u>	<u>\$ 284,533</u>

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes - Local					
Property	\$ 80	\$ 1,485	\$ -	\$ -	\$ 1,565
Transaction Privilege	94,063	-	-	-	94,063
Transient Occupancy	34,597	-	-	-	34,597
Light and Power Franchise	439	-	-	-	439
Other Taxes	6,671	-	-	-	6,671
Taxes - Intergovernmental					
Highway User Tax	18,743	-	-	-	18,743
Local Transportation Assistance Fund	610	-	-	-	610
Business and Liquor Licenses	46	-	-	-	46
Charges for Current Services					
Building and Related Permits	152	-	-	-	152
Recreation Fees	3,721	-	-	-	3,721
WestWorld Equestrian Facility Fees	1,431	-	-	-	1,431
Fines, Fees, and Forfeitures					
Court	128	-	-	-	128
Court Enhancement	1,705	-	-	-	1,705
Library	95	-	-	-	95
Police	90	-	-	-	90
Opioid Settlements	1,454	-	-	-	1,454
Property Rental	5,318	-	-	-	5,318
Interest Earnings	7,118	5	1,319	-	8,442
Net Increase in the Fair Value of Investments	-	-	346	64	410
Intergovernmental					
Federal Grants	13,850	-	-	-	13,850
State Grants	1,653	-	-	-	1,653
Miscellaneous	3,602	-	-	-	3,602
Developer Contributions	2,972	-	-	-	2,972
Streetlight and Services Districts	489	-	-	-	489
Contributions and Donations	2,429	-	-	-	2,429
Reimbursements from Outside Sources	975	-	24	-	999
Other	78	-	-	-	78
Total Revenues	<u>202,509</u>	<u>1,490</u>	<u>1,689</u>	<u>64</u>	<u>205,752</u>
EXPENDITURES					
Current					
General Government					
Mayor and City Council	1	-	-	-	1
City Court	1,758	-	-	-	1,758
City Treasurer	112	-	-	-	112
Other General Government	359	288	-	-	647
Public Works	25,429	-	-	-	25,429
Community and Economic Development	22,853	-	-	-	22,853
Public Safety	4,797	-	-	-	4,797
Community Services	20,450	-	-	28	20,478
Administrative Services	1,060	-	-	-	1,060
Streetlight and Services Districts	533	-	-	-	533
Debt Service					
Principal	2,190	15,245	-	-	17,435
Interest and Fiscal Charges	91	5,021	-	-	5,112
Capital Outlay	7,303	-	36,502	-	43,805
Total Expenditures	<u>86,936</u>	<u>20,554</u>	<u>36,502</u>	<u>28</u>	<u>144,020</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>115,573</u>	<u>(19,064)</u>	<u>(34,813)</u>	<u>36</u>	<u>61,732</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	2,728	18,743	1,031	-	22,502
Transfers Out	(103,201)	-	(114)	-	(103,315)
Financing of Leases	574	-	-	-	574
Financing of Subscription-Based I.T. Arrangements	2,675	-	-	-	2,675
Financing of Contracts Payable	1,876	-	-	-	1,876
Sale of General Capital Assets	(100)	-	-	-	(100)
Total Other Financing Sources (Uses)	<u>(95,448)</u>	<u>18,743</u>	<u>917</u>	<u>-</u>	<u>(75,788)</u>
Net Change in Fund Balances (Deficits)	20,125	(321)	(33,896)	36	(14,056)
Fund Balances (Deficits) - Beginning	199,370	5,234	33,718	636	238,958
Fund Balances (Deficits) - Ending	<u>\$ 219,495</u>	<u>\$ 4,913</u>	<u>\$ (178)</u>	<u>\$ 672</u>	<u>\$ 224,902</u>

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2024 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	McDowell Mountain Ranch CFD	DC Ranch CFD
ASSETS								
Cash and Investments	\$ 34,185	\$ 574	\$ -	\$ -	\$ 946	\$ 130,892	\$ 70	\$ 25
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Interest	667	-	-	-	-	835	-	-
Privilege Tax	4,040	-	-	-	-	7,372	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	1	1
Franchise Fee	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-
Highway User Tax	1,911	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	260	307	1,690	-	-	-	-
Leases	-	56	-	-	-	-	-	-
Miscellaneous	257	1,944	-	80	9	-	-	-
Total Assets	\$ 41,060	\$ 2,834	\$ 307	\$ 1,770	\$ 955	\$ 139,099	\$ 71	\$ 26
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ 1,448	\$ 128	\$ -	\$ 176	\$ 24	\$ 53	\$ -	\$ -
Accrued Payroll and Benefits	393	23	-	31	23	-	-	-
Due to Other Funds	-	-	307	1,178	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
Intergovernmental	-	443	-	60	-	-	-	-
Other	-	5	-	325	-	-	-	-
Due to Other Governments	-	7	-	-	12	-	202	15
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Other	-	-	-	-	59	-	-	-
Total Liabilities	1,841	611	307	1,770	118	53	202	15
Deferred Inflows of Resources								
Unavailable Revenues	764	2,137	307	1,539	8	1,362	1	-
Leases	-	56	-	-	-	-	-	-
Total Deferred Inflows of Resources	764	2,193	307	1,539	8	1,362	1	-
Total Liabilities and Deferred Inflows of Resources	2,605	2,804	614	3,309	126	1,415	203	15
Fund Balances (Deficits)								
Restricted	38,455	222	-	-	829	137,684	-	11
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(192)	(307)	(1,539)	-	-	(132)	-
Total Fund Balances (Deficits)	38,455	30	(307)	(1,539)	829	137,684	(132)	11
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 41,060	\$ 2,834	\$ 307	\$ 1,770	\$ 955	\$ 139,099	\$ 71	\$ 26

(continued)

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2024 (in thousands)

	ASSETS						Total
	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	
Cash and Investments	\$ 65	\$ -	\$ -	\$ 31,237	\$ 15,860	\$ 5,117	\$ 218,971
Cash with Fiscal Agent	-	7	-	-	-	-	7
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Interest	-	-	-	64	134	39	1,739
Privilege Tax	-	-	-	-	-	-	11,412
Transient Occupancy Tax	-	-	-	-	2,307	-	2,307
Property Tax	-	-	-	-	-	-	2
Franchise Fee	-	-	-	90	-	-	90
Court	-	-	-	286	-	-	286
Highway User Tax	-	-	-	-	-	-	1,911
Intergovernmental	-	-	-	11,190	-	-	11,190
Grants	-	-	-	-	-	-	2,257
Leases	-	-	-	-	-	-	56
Miscellaneous	-	-	8	769	197	855	4,119
Total Assets	\$ 65	\$ 7	\$ 8	\$ 43,636	\$ 18,498	\$ 6,011	\$ 254,347

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES (DEFICITS)**

Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,430	\$ 621	\$ 233	\$ 4,113
Accrued Payroll and Benefits	-	-	-	194	25	12	701
Due to Other Funds	-	-	10	-	-	-	1,495
Unearned Revenue	-	-	-	-	-	-	-
Intergovernmental	-	-	-	6,188	-	-	6,691
Other	-	-	-	62	-	11	403
Due to Other Governments	60	-	77	464	-	16	853
Guaranty and Other Deposits	-	-	-	-	-	-	5
Other	-	-	-	2	-	5	66
Total Liabilities	60	-	87	8,340	646	277	14,327
Deferred Inflows of Resources							
Unavailable Revenues	-	-	-	11,315	237	628	18,298
Leases	-	-	-	-	2,171	-	2,227
Total Deferred Inflows of Resources	-	-	-	11,315	2,408	628	20,525
Total Liabilities and Deferred Inflows of Resources	60	-	87	19,655	3,054	905	34,852
Fund Balances (Deficits)							
Restricted	5	7	-	9,987	7,213	5,106	199,519
Committed	-	-	-	15,919	8,231	-	24,150
Unassigned	-	-	(79)	(1,925)	-	-	(4,174)
Total Fund Balances (Deficits)	5	7	(79)	23,981	15,444	5,106	219,495
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 65	\$ 7	\$ 8	\$ 43,636	\$ 18,498	\$ 6,011	\$ 254,347

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	REVENUES		HOME		Grants		Housing Choice Voucher Program		Preserve Privilege Tax		McDowell Mountain Ranch CFD		DC Ranch CFD	
	Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	McDowell Mountain Ranch CFD	DC Ranch CFD						
Taxes - Local														
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transaction Privilege	33,636	-	-	-	-	-	-	60,427	-	-	-	-	-	-
Transient Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes - Intergovernmental														
Highway User Tax	18,743	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Transportation Assistance Fund	610	-	-	-	-	-	-	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building and Related Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WestWorld Equestrian Facility Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opoid Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Rental	6	125	-	-	-	-	-	-	-	-	-	-	-	-
Interest Earnings	2,562	1	-	-	-	-	-	-	3,702	-	1	-	-	1
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	1,311	-	3	3,869	-	8,667	-	-	-	-	-	-	-
State Grants	-	-	-	-	1,653	-	-	-	-	-	-	-	-	-
Miscellaneous	354	-	-	-	-	-	-	-	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	-	1,664	-	-	-	-	-	-	-	-	-
Reimbursements from Outside Sources	212	-	-	-	-	-	40	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	56,123	1,437	3	7,186	8,707	64,129	1	67						
EXPENDITURES														
Current														
General Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mayor and City Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City Court	-	-	-	2	-	-	-	-	-	-	-	-	-	77
City Treasurer	-	-	-	-	-	-	-	-	-	-	12	-	-	15
Other General Government	-	-	-	-	-	-	-	-	-	-	202	-	-	-
Public Works	25,409	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	10	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	2,004	-	-	-	-	-	-	-	-	-
Community Services	2,255	1,387	310	2,901	8,566	-	-	-	-	-	-	-	-	-
Administrative Services	13	-	-	1,047	-	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	44	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	1,988	-	-	84	-	-	-	-	-	-	-	-	-	-
Capital Outlay	29,711	1,387	310	5,448	8,566	-	-	-	-	-	214	-	-	92
Total Expenditures	26,412	50	(307)	1,738	141	64,129	(213)	(25)						
Excess (Deficiency) of Revenues over (under) Expenditures														
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	(35,189)	-	-	-	-	-	-	-	4	-	-	-	-	-
Financing of Leases	8	-	-	-	-	(36,385)	-	-	-	-	-	-	-	-
Financing of Subscription-Based I.T. Arrangements	14	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing of Contracts Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of General Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(35,167)	-	-	-	-	(36,381)	-	-	(36,381)	-	-	-	-	-
Net Change in Fund Balances (Deficits)	(8,755)	50	(307)	1,738	141	27,748	(213)	(25)						
Fund Balances (Deficits) - Beginning	47,210	(20)	-	(3,277)	688	109,936	81	36						
Fund Balances (Deficits) - Ending	38,455	30	(307)	(1,539)	829	137,684	(132)	11						

(continued)

Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Taxes - Local							
Transaction Privilege	\$ 30,933	\$ 30,933	\$ 30,933	\$ 33,636	\$ -	\$ 33,636	\$ 2,703
Taxes - Intergovernmental							
Highway User Tax	18,848	18,848	18,848	18,743	-	18,743	(105)
Local Transportation Assistance Fund	610	610	610	610	-	610	-
Property Rental	6	6	6	6	-	6	-
Interest Earnings	1,522	1,522	1,522	2,562	-	2,562	1,040
Intergovernmental							
Miscellaneous	88	88	88	354	-	354	266
Reimbursements from Outside Sources	21	21	21	212	-	212	191
Total Revenues	52,028	52,028	52,028	56,123	-	56,123	4,095
EXPENDITURES							
Current							
Public Works	30,031	28,401	28,401	27,330	(1,921)	25,409	1,071
Community Services	2,255	2,256	2,256	2,253	2	2,255	3
Administrative Services	19	19	19	18	(5)	13	1
Debt Service							
Principal	-	-	-	-	44	44	-
Interest and Fiscal Charges	-	-	-	-	2	2	-
Capital Outlay	-	-	-	-	1,988	1,988	-
Total Expenditures	32,305	30,676	30,676	29,601	110	29,711	1,075
Excess of Revenues over Expenditures	19,723	21,352	21,352	26,522	(110)	26,412	5,170
OTHER FINANCING SOURCES (USES)							
Transfers Out	(33,838)	(33,838)	(33,838)	(35,189)	-	(35,189)	(1,351)
Financing of Leases	-	-	-	-	8	8	-
Financing of Subscription-Based I.T. Arrangements	-	-	-	-	14	14	-
Total Other Financing Sources (Uses)	(33,838)	(33,838)	(33,838)	(35,189)	22	(35,167)	(1,351)
Net Change in Fund Balance	\$ (14,115)	\$ (12,486)	\$ (12,486)	\$ (8,667)	\$ (88)	\$ (8,755)	\$ 3,819
Explanation of Differences:							
Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:							
Financing of Leases	\$ 8						
Financing of Subscription-Based I.T. Arrangements	14						
Total Revenue/Other Financing Source Adjustments	22						
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:							
Payroll Accruals	88						
Non-Cash Operating Expenditures	22						
Total Expenditures	110						
Net Decrease in Fund Balance - Budget to GAAP	(88)						
Differences in Presentation between Budget and GAAP Basis:							
The city records principal and interest payments related to the subscription-based information technology arrangements, lease activity, and contracts payable on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the overall total expenditures are the same.							
The city records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the overall total expenditures are the same.							

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, 2024 (in thousands)

	Budgeted Amounts						Variance Between
	Original	Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Final Budget and Actual Amounts Budgetary Basis	
REVENUES							
Property Rental	\$ 64	\$ 64	\$ 73	\$ 52	\$ 125	\$ 9	
Interest Earnings	-	-	-	1	1	-	
Intergovernmental Federal Grants	2,401	2,401	1,367	(56)	1,311	(1,034)	
Total Revenues	2,465	2,465	1,440	(3)	1,437	(1,025)	
EXPENDITURES							
Current							
Community Services	2,434	2,314	1,375	12	1,387	939	
Total Expenditures	2,434	2,314	1,375	12	1,387	939	
Excess of Revenues over Expenditures	31	151	65	(15)	50	(86)	
OTHER FINANCING SOURCES (USES)							
Transfers Out	(31)	(31)	-	-	-	31	
Total Other Financing Uses	(31)	(31)	-	-	-	31	
Net Change in Fund Balance	-	120	65	(15)	50	(55)	
Explanation of Differences:							
Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:							
Lease Interest Revenue	\$ 1						
Amortized Lease Revenue	(4)						
Total Revenue Adjustments	(3)						
The city budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:							
Payroll Accrual and Compensated Absences		12					
Net Decrease in Fund Balance - Budget to GAAP	\$ (15)						

HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Intergovernmental							
Federal Grants	\$ 2,148	\$ 2,148	\$ 2,148	\$ 3	\$ -	\$ 3	\$ (2,145)
Total Revenues	2,148	2,148	2,148	3	-	3	(2,145)
EXPENDITURES							
Current							
Community Services	2,148	956	956	310	-	310	646
Total Expenditures	2,148	956	956	310	-	310	646
Excess (Deficiency) of Revenues over (under) Expenditures	-	1,192	1,192	(307)	-	(307)	(1,499)
Net Change in Fund Balance	\$ -	\$ 1,192	\$ 1,192	\$ (307)	\$ -	\$ (307)	\$ (1,499)

Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Intergovernmental							
Federal Grants	\$ 8,063	\$ 8,063	\$ 8,063	\$ 3,869	\$ -	\$ 3,869	\$ (4,194)
State Grants	300	281	281	1,653	-	1,653	1,372
Contributions and Donations	3,259	3,259	3,259	1,664	-	1,664	(1,595)
Reimbursements from Outside Sources	582	582	582	-	-	-	(582)
Total Revenues	12,204	12,185	12,185	7,186	-	7,186	(4,999)
EXPENDITURES							
Current							
General Government							
Mayor and City Council	5	5	5	-	-	-	5
City Court	-	2	2	2	-	2	-
City Treasurer	-	17	17	-	-	-	17
Community and Economic Development	5	10	10	10	-	10	-
Public Safety	6,500	3,374	3,374	2,059	(55)	2,004	1,315
Community Services	4,829	2,559	2,559	2,315	(14)	2,301	244
Administrative Services	865	1,047	1,047	1,047	-	1,047	-
Capital Outlay	-	-	-	-	84	84	-
Total Expenditures	12,204	7,014	7,014	5,433	15	5,448	1,581
Excess of Revenues over Expenditures	-	5,171	5,171	1,753	(15)	1,738	(3,418)
Net Change in Fund Balance	-	\$ 5,171	\$ 5,171	\$ 1,753	\$ (15)	\$ 1,738	\$ (3,418)
Explanation of Differences:							
The city budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:							
Payroll Accruals	\$ 15						

Differences in Presentation between Budget and GAAP Basis:

The city records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Housing Choice Voucher Program – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final					
REVENUES							
Intergovernmental							
Federal Grants	\$ 6,977	\$ 6,977		\$ 8,667	\$ -	\$ 8,667	\$ 1,690
Reimbursements from Outside Sources	-	-		40	-	40	40
Total Revenues	<u>6,977</u>	<u>6,977</u>		<u>8,707</u>	<u>-</u>	<u>8,707</u>	<u>1,730</u>
EXPENDITURES							
Current							
Community Services	6,977	6,977		8,561	5	8,566	(1,584)
Total Expenditures	<u>6,977</u>	<u>6,977</u>		<u>8,561</u>	<u>5</u>	<u>8,566</u>	<u>(1,584)</u>
Excess of Revenues over Expenditures	-	-		146	(5)	141	146
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 146</u>	<u>\$ (5)</u>	<u>\$ 141</u>	<u>\$ 146</u>

Explanation of Differences:

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

Payroll Accruals	5
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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, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Taxes - Local							
Transaction Privilege	\$ 57,236	\$ 57,236	\$	60,427	\$ -	\$ 60,427	\$ 3,191
Interest Earnings	2,235	2,235		3,702	-	3,702	1,467
Total Revenues	59,471	59,471		64,129	-	64,129	4,658
EXPENDITURES							
Total Expenditures	-	-		-	-	-	-
Excess of Revenues over Expenditures	59,471	59,471		64,129	-	64,129	4,658
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-		4	-	4	4
Transfers Out	(35,355)	(35,355)	(35,355)	(36,385)	-	(36,385)	(1,030)
Total Other Financing Sources (Uses)	(35,355)	(35,355)	(35,355)	(36,381)	-	(36,381)	(1,026)
Net Change in Fund Balance	\$ 24,116	\$ 24,116	\$ 24,116	\$ 27,748	\$ -	\$ 27,748	\$ 3,632

Streetlight Districts – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Streetlight and Services Districts	\$ 539	\$ 489	\$ 539	\$ 489	\$ -	\$ 489	\$ (50)
Total Revenues	539	489	539	489	-	489	(50)
EXPENDITURES							
Current							
Other General Government	-	-	-	-	77	77	-
Streetlight and Services Districts	579	533	579	533	-	533	46
Total Expenditures	579	533	579	533	77	610	46
Deficiency of Revenues under Expenditures	(40)	(44)	(40)	(44)	(77)	(121)	(4)
Net Change in Fund Balance	(40)	(44)	(40)	(44)	(77)	(121)	(4)
Explanation of Differences:							
The city budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:							
Other General Government Maricopa County Qasimyar Settlement	\$ 77						

Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (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				
REVENUES						
Taxes - Local						
Light and Power Franchise	\$ 262	\$ 262	\$ 439	\$ -	\$ 439	\$ 177
Other Taxes	6,721	6,721	6,671	-	6,671	(50)
Business and Liquor Licenses	50	50	46	-	46	(4)
Charges for Current Services						
Building and Related Permits	77	77	152	-	152	75
Recreation Fees	3,046	3,046	3,463	-	3,463	417
WestWorld Equestrian Facility Fees	1,224	1,224	1,431	-	1,431	207
Fines, Fees, and Forfeitures						
Court	123	123	128	-	128	5
Court Enhancement	1,737	1,737	1,705	-	1,705	(32)
Library	115	115	95	-	95	(20)
Police	96	96	90	-	90	(6)
Opioid Settlements	-	-	1,454	-	1,454	1,454
Property Rental	365	365	392	-	392	27
Interest Earnings	85	85	208	-	208	123
Intergovernmental						
Miscellaneous	4,856	4,856	3,248	-	3,248	(1,608)
Developer Contributions	100	100	2,972	-	2,972	2,872
Contributions and Donations	488	488	563	-	563	75
Reimbursements from Outside Sources	167	167	474	-	474	307
Other	321	105	78	-	78	(27)
Total Revenues	<u>19,833</u>	<u>19,617</u>	<u>23,609</u>	<u>-</u>	<u>23,609</u>	<u>3,992</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	231	231	1	-	1	230
City Court	2,066	2,066	1,751	5	1,756	315
Public Works	166	166	20	-	20	146
Community and Economic Development	719	719	123	-	123	596
Public Safety	4,699	4,699	4,711	(1,918)	2,793	(12)
Community Services	4,390	5,190	4,869	(105)	4,764	321
Debt Service						
Principal	38	38	116	2,014	2,130	(78)
Interest and Fiscal Charges	20	20	20	68	88	-
Capital Outlay	-	-	-	5,103	5,103	-
Total Expenditures	<u>12,329</u>	<u>13,129</u>	<u>11,611</u>	<u>5,167</u>	<u>16,778</u>	<u>1,518</u>
Excess of Revenues over Expenditures	<u>7,504</u>	<u>6,488</u>	<u>11,998</u>	<u>(5,167)</u>	<u>6,831</u>	<u>5,510</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	64	64	1,021	-	1,021	957
Transfers Out	(7,983)	(8,112)	(9,267)	-	(9,267)	(1,155)
Financing of Leases	-	-	-	566	566	-
Financing of Subscription-Based I.T. Arrangements	-	-	-	2,661	2,661	-
Financing of Contracts Payable	-	-	-	1,876	1,876	-
Sale of General Capital Assets	-	-	-	(100)	(100)	-
Total Other Financing Sources (Uses)	<u>(7,919)</u>	<u>(8,048)</u>	<u>(8,246)</u>	<u>5,003</u>	<u>(3,243)</u>	<u>(198)</u>
Net Change in Fund Balance	<u>\$ (415)</u>	<u>\$ (1,560)</u>	<u>\$ 3,752</u>	<u>\$ (164)</u>	<u>\$ 3,588</u>	<u>\$ 5,312</u>

Explanation of Differences:

Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:

Financing of Leases	\$ 566
Financing of Subscription-Based I.T. Arrangements	2,661
Financing of Contracts Payable	1,876
Sale of General Capital Assets	(100)
Total Revenue/Other Financing Source Adjustments	<u>5,003</u>

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

Payroll Accruals	64
Non-Cash Operating Expenditures	5,103
Total Expenditures	<u>5,167</u>

Net Decrease in Fund Balance - Budget to GAAP \$ (164)

Differences in Presentation between Budget and GAAP Basis:

The city records principal and interest payments related to the subscription-based information technology arrangements, lease activity, and contracts payable on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

The city records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts		Budget to GAAP Differences	Actual Amounts		Variance Between Final Budget and Actual Amounts
	Original			Budgetary Basis	GAAP Basis		Budgetary Basis		
REVENUES									
Taxes - Local									
Transient Occupancy Tax	\$ 31,448	\$ 31,448	\$ 31,448	\$ 34,597	\$ -	\$ -	\$ 34,597	\$ 3,149	
Property Rental	3,067	3,067	3,067	3,933	25	25	3,958	866	
Interest Earnings	505	505	505	498	-	-	498	(7)	
Reimbursements from Outside Sources	25	25	25	14	-	-	14	(11)	
Total Revenues	35,045	35,045	35,045	39,042	25	25	39,067	3,997	
EXPENDITURES									
Current									
Community and Economic Development	22,036	22,717	22,717	22,720	-	-	22,720	(3)	
Total Expenditures	22,036	22,717	22,717	22,720	-	-	22,720	(3)	
Excess of Revenues over Expenditures	13,009	12,328	12,328	16,322	25	25	16,347	3,994	
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	1,703	-	-	1,703	1,703	
Transfers Out	(21,351)	(21,557)	(21,557)	(21,700)	-	-	(21,700)	(143)	
Total Other Financing Sources (Uses)	(21,351)	(21,557)	(21,557)	(19,997)	-	-	(19,997)	1,560	
Net Change in Fund Balance	(8,342)	(9,229)	(9,229)	(3,675)	25	25	(3,650)	5,554	

Explanation of Differences:

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

\$ 25

Stadium Facility – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts		Budget to GAAP Differences	Actual Amounts		Variance Between Final Budget and Actual Amounts
	Original	\$		Budgetary Basis	GAAP Basis				
REVENUES									
Charges for Current Services									
Recreation Fees	-	\$	-	258	\$	-	258	\$	258
Property Rental	1,043		1,043	837		-	837		(206)
Interest Earnings	134		134	145		-	145		11
Contributions and Donations	725		725	202		-	202		(523)
Reimbursements from Outside Sources	282		282	235		-	235		(47)
Total Revenues	2,184		2,184	1,677		-	1,677		(507)
EXPENDITURES									
Current									
Community Services	888		888	1,006		(139)	867		(118)
Debt Service									
Principal	16		16	-		16	16		16
Interest and Fiscal Charges	1		1	-		1	1		1
Capital Outlay	-		-	-		128	128		-
Total Expenditures	905		905	1,006		6	1,012		(101)
Excess of Revenues over Expenditures	1,279		1,279	671		(6)	665		(608)
OTHER FINANCING USES									
Transfers Out	(660)		(660)	(660)		-	(660)		-
Total Other Financing Uses	(660)		(660)	(660)		-	(660)		-
Net Change in Fund Balance	619	\$	619	11	\$	(6)	5	\$	(608)

Explanation of Differences:

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

Payroll Accrual and Compensated Absences

Differences in Presentation between Budget and GAAP Basis:

The city records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

The city records principal and interest payments related to the subscription-based information technology arrangements, lease activity, and contracts payable on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2024 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	DC Ranch CFD	Waterfront Commercial CFD	Total
ASSETS					
Cash and Investments	1	5,055	-	-	5,056
Cash with Fiscal Agent	16,337	-	1,296	236	17,869
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Property Tax	-	-	49	-	49
Total Assets	<u>\$ 16,338</u>	<u>\$ 5,055</u>	<u>\$ 1,345</u>	<u>\$ 236</u>	<u>\$ 22,974</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	1	-	-	-	1
Matured Bond Interest Payable	2,402	-	81	22	2,505
Matured Bonds Payable	13,935	-	1,125	185	15,245
Due to Other Governments	-	-	288	-	288
Total Liabilities	<u>16,338</u>	<u>-</u>	<u>1,494</u>	<u>207</u>	<u>18,039</u>
Deferred Inflows of Resources					
Unavailable Revenues	-	-	22	-	22
Total Liabilities and Deferred Inflows of Resources	<u>16,338</u>	<u>-</u>	<u>1,516</u>	<u>207</u>	<u>18,061</u>
Fund Balances					
Restricted	-	2,372	-	29	2,401
Committed	-	2,683	-	-	2,683
Unassigned	-	-	(171)	-	(171)
Total Fund Balances	<u>-</u>	<u>5,055</u>	<u>(171)</u>	<u>29</u>	<u>4,913</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,338</u>	<u>\$ 5,055</u>	<u>\$ 1,345</u>	<u>\$ 236</u>	<u>\$ 22,974</u>

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

		Municipal Property Corporation	Debt Service Stabilization	DC Ranch CFD	Waterfront Commercial CFD	Total
REVENUES						
Taxes - Local Property	\$	-	\$	1,261	\$	1,485
Interest Earnings		5				5
Total Revenues		5		1,261	224	1,490
EXPENDITURES						
Current						
Other General Government		-		288	-	288
Debt Service Principal		13,935		1,125	185	15,245
Interest and Fiscal Charges		4,813		162	46	5,021
Total Expenditures		18,748		1,575	231	20,554
Deficiency of Revenues under Expenditures		(18,743)		(314)	(7)	(19,064)
OTHER FINANCING SOURCES						
Transfers In		18,743				18,743
Total Other Financing Sources		18,743				18,743
Net Change in Fund Balances		-		(314)	(7)	(321)
Fund Balances - Beginning		-		143	36	5,234
Fund Balances - Ending	\$	-	\$	(171)	\$	4,913

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, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original						
REVENUES							
Taxes - Local	\$ 35,656	\$ 35,656	\$ 35,119	\$ 35,119	\$ -	\$ 35,119	\$ (537)
Property	-	-	1	1	-	1	1
Interest	35,656	35,656	35,120	35,120	-	35,120	(536)
Total Revenues							
EXPENDITURES							
Current							
Other General Government	-	-	-	-	5,059	5,059	-
Debt Service							
Principal	60,505	60,505	60,505	60,505	-	60,505	-
Interest and Fiscal Charges	12,206	12,206	12,206	12,206	-	12,206	-
Total Expenditures	72,711	72,711	72,711	72,711	5,059	77,770	-
Deficiency of Revenues under Expenditures	(37,055)	(37,055)	(37,591)	(37,591)	(5,059)	(42,650)	(536)
OTHER FINANCING SOURCES							
Transfers In	35,355	35,355	35,464	35,464	-	35,464	109
Total Other Financing Sources	35,355	35,355	35,464	35,464	-	35,464	109
Net Change in Fund Balance	(1,700)	(1,700)	(2,127)	(2,127)	(5,059)	(7,186)	(427)

Explanation of Differences:

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

Other General Government Maricopa County Qasimyar Settlement \$ 5,059

Municipal Property Corporation Debt Service Fund

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

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final					
REVENUES							
Interest Earnings	-	\$ -	-	\$ -	-	\$ -	5
Total Revenues	-	-	-	5	-	5	5
EXPENDITURES							
Debt Service							
Principal	13,935	13,935	13,935	13,935	-	13,935	-
Interest and Fiscal Charges	4,813	4,813	4,813	4,813	-	4,813	-
Total Expenditures	18,748	18,748	18,748	18,748	-	18,748	-
Deficiency of Revenues under Expenditures	(18,748)	(18,748)	(18,748)	(18,743)	-	(18,743)	5
OTHER FINANCING SOURCES							
Transfers In	18,748	18,748	18,748	18,743	-	18,743	(5)
Total Other Financing Sources	18,748	18,748	18,748	18,743	-	18,743	(5)
Net Change in Fund Balance	-	\$ -	-	\$ -	-	\$ -	-

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2024 (in thousands)

	General Obligation Bonds	Preserve Privilege Tax	Total
ASSETS			
Cash and Investments	\$ 6,518	\$ 9	\$ 6,527
Receivables (net of allowance for uncollectibles)			
Interest	13	-	13
Total Assets	\$ 6,531	\$ 9	\$ 6,540
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 6,697	\$ 9	\$ 6,706
Accrued Payroll and Benefits	8	4	12
Total Liabilities	6,705	13	6,718
Fund Balances (Deficits)			
Restricted	10,202	-	10,202
Unassigned	(10,376)	(4)	(10,380)
Total Fund Balances (Deficits)	(174)	(4)	(178)
Total Liabilities and Fund Balances (Deficits)	\$ 6,531	\$ 9	\$ 6,540

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

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	General Obligation Bonds	Preserve Privilege Tax	Total
REVENUES			
Interest Earnings	\$ 1,319	\$ -	\$ 1,319
Net Increase in the Fair Value of Investments	346	-	346
Reimbursements from Outside Sources	21	3	24
Total Revenues	<u>1,686</u>	<u>3</u>	<u>1,689</u>
EXPENDITURES			
Current			
Capital Outlay	35,469	1,033	36,502
Total Expenditures	<u>35,469</u>	<u>1,033</u>	<u>36,502</u>
Deficiency of Revenues under Expenditures	<u>(33,783)</u>	<u>(1,030)</u>	<u>(34,813)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,031	1,031
Transfers Out	(110)	(4)	(114)
Total Other Financing Sources (Uses)	<u>(110)</u>	<u>1,027</u>	<u>917</u>
Net Change in Fund Balances (Deficits)	(33,893)	(3)	(33,896)
Fund Balances (Deficits) - Beginning	33,719	(1)	33,718
Fund Balances (Deficits) - Ending	<u>(174)</u>	<u>(4)</u>	<u>\$ (178)</u>

Combining Balance Sheet

Nonmajor Permanent Governmental Funds

June 30, 2024 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
ASSETS					
Cash and Investments	\$ 445	\$ 147	\$ 45	\$ 35	\$ 672
Total Assets	\$ 445	\$ 147	\$ 45	\$ 35	\$ 672
LIABILITIES AND FUND BALANCES					
Liabilities					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Nonspendable	426	141	43	34	644
Restricted	19	6	2	1	28
Total Fund Balances	445	147	45	35	672
Total Liabilities and Fund Balances	\$ 445	\$ 147	\$ 45	\$ 35	\$ 672

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

Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

REVENUES	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total	
Net Increase in the Fair Value of Investments	42	14	5	3	64	
Total Revenues	\$ 42	\$ 14	\$ 5	\$ 3	\$ 64	
EXPENDITURES						
Current						
Community Services	24	2	1	1	28	
Total Expenditures	24	2	1	1	28	
Excess of Revenues over Expenditures	18	12	4	2	36	
Net Change in Fund Balances	18	12	4	2	36	
Fund Balances - Beginning	427	135	41	33	636	
Fund Balances - Ending	\$ 445	\$ 147	\$ 45	\$ 35	\$ 672	

INTERNAL SERVICE FUNDS

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

Fleet Management Fund

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

Self-Insurance Fund

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

Computer Replacement Fund

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

Combining Statement of Fund Net Position

Internal Service Funds

June 30, 2024 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 23,407	\$ 55,394	\$ 2,194	\$ 80,995
Receivables (net of allowance for uncollectibles)				
Miscellaneous	235	402	-	637
Supplies Inventory	1,412	-	-	1,412
Prepaid Items	6	-	-	6
Total Current Assets	<u>25,060</u>	<u>55,796</u>	<u>2,194</u>	<u>83,050</u>
Noncurrent Assets				
Equity in Joint Venture	4	-	-	4
Capital Assets				
Buildings and Improvements	19,003	-	-	19,003
Motor Vehicles	110,152	-	-	110,152
Machinery and Equipment	1,387	45	5,134	6,566
Construction in Progress	7,227	-	-	7,227
Leases	19	8	-	27
Subscription-Based Information Technology Arrangements	-	512	-	512
Less Accumulated Depreciation/Amortization	<u>(71,707)</u>	<u>(431)</u>	<u>(3,090)</u>	<u>(75,228)</u>
Total Capital Assets (net of accumulated depreciation/amortization)	<u>66,081</u>	<u>134</u>	<u>2,044</u>	<u>68,259</u>
Total Noncurrent Assets	<u>66,085</u>	<u>134</u>	<u>2,044</u>	<u>68,263</u>
Total Assets	<u>91,145</u>	<u>55,930</u>	<u>4,238</u>	<u>151,313</u>
Deferred Outflows of Resources				
Pension-Related Amounts	<u>567</u>	<u>161</u>	<u>-</u>	<u>728</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current Liabilities				
Accounts Payable	1,686	3,741	349	5,776
Accrued Payroll and Benefits	210	70	-	280
Accrued Compensated Absences - Due within one year	232	56	-	288
Leases - Due within one year	3	2	-	5
Subscription - Due within one year	-	115	-	115
Other Payables - Due within one year	-	10,235	-	10,235
Unearned Revenue	-	13	-	13
Total Current Liabilities	<u>2,131</u>	<u>14,232</u>	<u>349</u>	<u>16,712</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	135	26	-	161
Leases - Due in more than one year	13	4	-	17
Net Pension Liabilities	4,175	1,203	-	5,378
Other Payables - Due in more than one year	-	10,723	-	10,723
Total Noncurrent Liabilities	<u>4,323</u>	<u>11,956</u>	<u>-</u>	<u>16,279</u>
Total Liabilities	<u>6,454</u>	<u>26,188</u>	<u>349</u>	<u>32,991</u>
Deferred Inflows of Resources				
Pension-Related Amounts	<u>263</u>	<u>76</u>	<u>-</u>	<u>339</u>
NET POSITION				
Net Investment in Capital Assets	64,969	13	1,695	66,677
Unrestricted	<u>20,026</u>	<u>29,814</u>	<u>2,194</u>	<u>52,034</u>
Total Net Position	<u>\$ 84,995</u>	<u>\$ 29,827</u>	<u>\$ 3,889</u>	<u>\$ 118,711</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 29,682	\$ 45,149	\$ 850	\$ 75,681
Self-Insurance Contributions - Employee	-	8,850	-	8,850
Self-Insurance Contributions - Retiree	-	215	-	215
State Contributions	-	79	-	79
Other	1,929	1,061	-	2,990
Total Operating Revenues	31,611	55,354	850	87,815
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	16,674	-	-	16,674
Self-Insurance Administration	-	4,267	-	4,267
Self-Insurance Claims	-	7,928	-	7,928
Self-Insurance Benefits	-	32,624	-	32,624
Insurance and Bond Premiums	-	6,333	-	6,333
Computer Replacement	-	-	198	198
Depreciation/Amortization	10,646	125	875	11,646
Total Operating Expenses	27,320	51,277	1,073	79,670
Operating Income (Loss)	4,291	4,077	(223)	8,145
Non-Operating Revenues (Expenses)				
Property Tax	-	2,202	-	2,202
Gain (Loss) on Sale of Capital Assets	164	-	(24)	140
Net Non-Operating Revenues (Expenses)	164	2,202	(24)	2,342
Income (Loss) Before Contributions and Transfers	4,455	6,279	(247)	10,487
Capital Contributions	3,404	-	-	3,404
Transfers In	-	68	-	68
Transfers Out	-	(29)	-	(29)
Change in Net Position	7,859	6,318	(247)	13,930
Total Net Position - Beginning	77,136	23,509	4,136	104,781
Total Net Position - Ending	\$ 84,995	\$ 29,827	\$ 3,889	\$ 118,711

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2024 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 29,566	\$ 54,341	\$ 850	\$ 84,757
Cash Payments to Suppliers for Goods/Services	(11,467)	(47,329)	(198)	(58,994)
Cash Payments to Employees for Services	(5,049)	(2,085)	-	(7,134)
Other Cash Receipts	1,929	1,057	-	2,986
Net Cash Provided by (Used for) Operating Activities	<u>14,979</u>	<u>5,984</u>	<u>652</u>	<u>21,615</u>
Cash Flows from Non-Capital Financing Activities				
Property Tax	-	2,202	-	2,202
Transfers In	-	68	-	68
Transfers Out	-	(29)	-	(29)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>2,241</u>	<u>-</u>	<u>2,241</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(15,825)	(112)	(236)	(16,173)
Sale of Capital Assets	1,159	-	-	1,159
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(14,666)</u>	<u>(112)</u>	<u>(236)</u>	<u>(15,014)</u>
Net Increase in Cash and Cash Equivalents	313	8,113	416	8,842
Cash and Cash Equivalents at Beginning of Year	<u>23,094</u>	<u>47,281</u>	<u>1,778</u>	<u>72,153</u>
Cash and Cash Equivalents at End of Year	<u>\$ 23,407</u>	<u>\$ 55,394</u>	<u>\$ 2,194</u>	<u>\$ 80,995</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 4,291	\$ 4,077	\$ (223)	\$ 8,145
Income Provided by (Used for) Operating Activities				
Depreciation/Amortization	10,646	125	875	11,646
Current Year Pension Contributions	(435)	(123)	-	(558)
Change Equity in Joint Venture	1	-	-	1
Change in Accounts Receivable	(116)	50	-	(66)
Change in Prepaid Expenses	(5)	-	-	(5)
Change in Inventories	53	-	-	53
Change in Accounts Payable	(101)	1,953	-	1,852
Change in Unearned Revenue	-	(1)	-	(1)
Change in Accrued Payroll	26	5	-	31
Change in Compensated Absences Payable	25	(88)	-	(63)
Change in Claims Payable	-	(186)	-	(186)
Change in Net Pension Liability	(104)	(25)	-	(129)
Change in Deferred Outflows of Resources Related to Pensions	597	172	-	769
Change in Deferred Inflows of Resources Related to Pensions	101	29	-	130
Change in Other Liabilities	-	(4)	-	(4)
Total Adjustments	<u>10,688</u>	<u>1,907</u>	<u>875</u>	<u>13,470</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 14,979</u>	<u>\$ 5,984</u>	<u>\$ 652</u>	<u>\$ 21,615</u>
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities				
Changes to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	\$ 3,404	\$ -	\$ -	\$ 3,404
Initiation of Lease	(12)	-	-	(12)
Retirement of Assets	(453)	(13)	(24)	(490)
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 2,939</u>	<u>\$ (13)</u>	<u>\$ (24)</u>	<u>\$ 2,902</u>

OTHER SUPPLEMENTARY INFORMATION

Debt Requirements

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

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

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2024 (in thousands)

	July 1, 2023		Retired		Refunding Bonds Issued		Bonds Defaced		Accretions, Amortizations, and Contract Adjustments		June 30, 2024		Governmental Business-type		Final		
	Issued	Retired	Issued	Retired	Issued	Retired	Issued	Retired	Adjustments	June 30, 2024	Activities	Activities	Payment Date	Activities	Activities	Payment Date	
GENERAL OBLIGATION BONDS																	
Governmental Activities																	
2012 GO Refunding Preservation	\$ 5,370	\$ -	\$ -	\$ 5,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/24
2013 GO Preservation	2,500	-	-	2,500	-	-	-	-	-	-	-	-	-	-	-	-	07/01/24
2014 GO Preservation	2,105	-	-	675	-	-	-	-	-	-	1,430	-	-	1,430	-	-	07/01/26
2015 GO Refunding Various Purpose	53,360	-	-	18,340	-	-	-	-	-	-	35,020	-	-	35,020	-	-	07/01/28
2015 GO Refunding Preservation	15,710	-	-	12,225	-	-	-	-	-	-	3,485	-	-	3,485	-	-	07/01/28
2017A GO Preservation	17,410	-	-	-	-	-	-	-	-	-	17,410	-	-	17,410	-	-	07/01/34
2017B GO Preservation Acquisition Refinancing	5,790	-	-	5,790	-	-	-	-	-	-	-	-	-	-	-	-	07/01/24
2017 GO Refunding Various Purpose	21,742	-	-	2,932	-	-	-	-	-	-	18,810	-	-	18,810	-	-	07/01/29
2017 GO Refunding Preservation	12,258	-	-	978	-	-	-	-	-	-	11,280	-	-	11,280	-	-	07/01/34
2017C GO Various Purpose	9,140	-	-	1,960	-	-	-	-	-	-	7,180	-	-	7,180	-	-	07/01/27
2020 GO Taxable Refunding Preservation	155,100	-	-	3,625	-	-	-	-	-	-	151,475	-	-	151,475	-	-	07/01/34
2021 GO Various Purpose	27,675	-	-	1,225	-	-	-	-	-	-	26,450	-	-	26,450	-	-	07/01/40
2021 GO Taxable Various Purpose	17,750	-	-	890	-	-	-	-	-	-	16,860	-	-	16,860	-	-	07/01/40
2023 GO Various Purpose	34,175	-	-	1,975	-	-	-	-	-	-	32,200	-	-	32,200	-	-	07/01/42
2023 GO Taxable Various Purpose	39,530	-	-	2,020	-	-	-	-	-	-	37,510	-	-	37,510	-	-	07/01/42
2012 GO Refunding Series Issuance Premium	282	-	-	-	-	-	-	-	(282)	-	-	-	-	-	-	-	-
2013 GO Preserve Issuance Premium	60	-	-	-	-	-	-	-	(60)	-	-	-	-	-	-	-	-
2014 GO Preserve Issuance Premium	74	-	-	-	-	-	-	-	(24)	-	50	-	-	50	-	-	-
2015 GO Refunding Series Issuance Premium	6,294	-	-	-	-	-	-	-	(1,259)	-	5,035	-	-	5,035	-	-	-
2017A GO Preserve Series Issuance Premium	1,780	-	-	-	-	-	-	-	(162)	-	1,618	-	-	1,618	-	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	485	-	-	-	-	-	-	-	(485)	-	-	-	-	-	-	-	-
2017 GO Refunding Series Issuance Premium	4,303	-	-	-	-	-	-	-	(391)	-	3,912	-	-	3,912	-	-	-
2017C GO Various Purpose Issuance Premium	1,462	-	-	-	-	-	-	-	(366)	-	1,096	-	-	1,096	-	-	-
2021 GO Various Purpose Issuance Premium	3,171	-	-	-	-	-	-	-	(187)	-	2,984	-	-	2,984	-	-	-
2021 GO Taxable Various Purpose Issuance Premium	511	-	-	-	-	-	-	-	(30)	-	481	-	-	481	-	-	-
2023 GO Various Purpose Issuance Premium	4,041	-	-	-	-	-	-	-	(212)	-	3,829	-	-	3,829	-	-	-
2023 GO Taxable Various Purpose Issuance Premium	705	-	-	-	-	-	-	-	(37)	-	668	-	-	668	-	-	-
Total General Obligation Bonds	\$ 442,783	\$ -	\$ -	\$ 60,505	\$ -	\$ -	\$ -	\$ -	\$ (3,495)	\$ -	\$ 378,783	\$ -	\$ -	\$ 378,783	\$ -	\$ -	-

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2024 (in thousands)

	July 1, 2023	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2024	Governmental Activities	Business-type Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Activities										
2006 MPC Refunding	\$ 38,510	\$ -	\$ 3,470	\$ -	\$ -	\$ -	\$ 35,040	\$ 35,040	\$ -	07/01/34
2014 MPC Refunding	9,275	-	2,150	-	-	-	7,125	7,125	-	07/01/27
2015A MPC	7,390	-	595	-	-	-	6,795	6,795	-	07/01/34
2015A MPC Taxable	9,395	-	705	-	-	-	8,690	8,690	-	07/01/34
2019A MPC	8,095	-	360	-	-	-	7,735	7,735	-	07/01/39
2019B MPC Taxable	28,105	-	1,465	-	-	-	26,640	26,640	-	07/01/39
2021B MPC Taxable Refunding	66,680	-	5,190	-	-	-	61,490	61,490	-	07/01/35
2006 Refunding Series Issuance Premium	2,718	-	-	-	-	(247)	2,471	2,471	-	-
2014 Refunding Series Issuance Premium	813	-	-	-	-	(204)	609	609	-	-
2015A Series Issuance Premium	601	-	-	-	-	(55)	546	546	-	-
2015A Taxable Series Issuance Premium	1,522	-	-	-	-	(14)	1,388	1,388	-	-
2019A Series Issuance Premium	1,011	-	-	-	-	(63)	948	948	-	-
2019B Taxable Series Issuance Premium	63	-	-	-	-	(3)	60	60	-	-
Subtotal Governmental Activities	172,808	-	13,935	-	-	(586)	158,287	158,287	-	-
Business-type Activities										
2006 MPC Refunding	43,135	-	10,140	-	-	-	32,995	-	32,995	07/01/30
2015A MPC Bonds Water/Sewer	11,195	-	900	-	-	-	10,295	-	10,295	07/01/34
2015 MPC Refunding	14,865	-	4,725	-	-	-	10,140	-	10,140	07/01/26
2017 MPC Refunding	39,605	-	2,265	-	-	-	37,340	-	37,340	07/01/34
2017A MPC Bonds Water	30,810	-	1,655	-	-	-	29,155	-	29,155	07/01/37
2017B MPC Bonds Aviation	18,500	-	990	-	-	-	17,600	-	17,600	07/01/37
2021A MPC Refunding	7,920	-	-	-	-	-	7,920	-	7,920	07/01/30
2021B MPC Taxable Refunding	60,420	-	1,325	-	-	-	59,095	-	59,095	07/01/30
2006 Refunding Series Issuance Premium	3,945	-	-	-	-	(564)	3,381	-	3,381	-
2015A Series Issuance Premium	910	-	-	-	-	(83)	827	-	827	-
2015 Refunding Series Issuance Premium	1,771	-	-	-	-	(590)	1,181	-	1,181	-
2017 Refunding Series Issuance Premium	3,611	-	-	-	-	(329)	3,282	-	3,282	-
2017A Series Issuance Premium	2,290	-	-	-	-	(163)	2,127	-	2,127	-
2017B Series Issuance Premium	1,171	-	-	-	-	(84)	1,087	-	1,087	-
2021A Refunding Issuance Premium	2,193	-	-	-	-	(313)	1,880	-	1,880	-
Subtotal Business-type Activities	242,431	-	22,000	-	-	(2,126)	218,305	-	218,305	-
Total Municipal Property Corporation Bonds	\$ 415,239	\$ -	\$ 35,935	\$ -	\$ -	\$ (2,712)	\$ 376,592	\$ 158,287	\$ 218,305	-
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Activities										
DC Ranch Refunding Series 2012	\$ 4,740	\$ -	\$ 1,125	\$ -	\$ -	\$ -	\$ 3,615	\$ 3,615	\$ -	07/15/27
Waterfront Commercial Refunding Series 2019	1,843	-	185	-	-	-	1,658	1,658	-	07/15/32
DC Ranch 2012 Issuance Premium	157	-	-	-	-	(39)	118	118	-	-
Total Community Facilities District Bonds	\$ 6,740	\$ -	\$ 1,310	\$ -	\$ -	\$ (39)	\$ 5,391	\$ 5,391	\$ -	-
Total Bonds	\$ 864,762	\$ -	\$ 97,750	\$ -	\$ -	\$ (6,246)	\$ 760,766	\$ 542,461	\$ 218,305	-

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

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2024 (in thousands)

	July 1, 2023	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2024	Governmental Activities	Business-type Activities	Final Payment Date
CONTRACTS PAYABLE										
Governmental Activities										
PNC Bank	\$ 360	\$ -	\$ 115	\$ -	\$ -	\$ -	\$ 245	\$ 245	\$ -	01/01/33
Investigative Equipment - Public Safety	285	-	285	-	-	-	-	-	-	04/25/24
Protective Equipment - Public Safety	149	-	73	-	-	(76)	84	84	-	01/12/24
Field Maintenance Equipment - Community Services	114	-	30	-	-	-	84	84	-	03/30/27
I.T. Hardware Equipment - Public Safety - 2023	175	-	86	-	-	(89)	-	-	-	07/15/23
I.T. Hardware Equipment - Public Safety - 2024	-	1,876	419	-	-	-	1,457	1,457	-	10/01/27
Total Contracts	\$ 1,083	\$ 1,876	\$ 1,008	\$ -	\$ -	\$ (165)	\$ 1,786	\$ 1,786	\$ -	-
LEASES										
Governmental Activities										
Baseball Facility - Community Services	\$ 1,058	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ 1,051	\$ 1,051	\$ -	12/01/52
Distributed Antenna System - Administrative Services	46	-	6	-	-	-	40	40	-	12/01/29
Data Center Space - Administrative Services	814	-	226	-	-	-	588	588	-	09/01/26
Street Maintenance Equipment - Public Works	59	-	39	-	-	-	20	20	-	11/24/24
Vehicles - Public Safety	475	793	328	-	-	(45)	895	895	-	06/01/27
Inaging Equipment - Various Governmental Funds	481	454	136	-	-	-	799	799	-	03/01/29
Inaging Equipment - Fleet Management	7	11	2	-	-	-	16	16	-	03/01/29
Inaging Equipment - Risk Management	7	-	1	-	-	-	6	6	-	11/01/27
Situational Awareness Cameras - Public Safety	-	561	139	-	-	-	422	422	-	08/11/27
Document Inserter - City Treasurer	-	171	11	-	-	-	160	160	-	02/01/29
Subtotal Governmental Activities	2,947	1,990	895	-	-	(45)	3,997	3,997	-	-
Business-type Activities										
Inaging Equipment - Water and Sewer Utility	43	47	12	-	-	-	78	78	-	03/01/29
Inaging Equipment - Airport	15	-	3	-	-	-	12	12	-	03/01/28
Inaging Equipment - Solid Waste	8	-	2	-	-	-	6	6	-	08/01/27
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	30	-	10	-	-	-	20	20	-	02/16/26
Subtotal Business-type Activities	96	47	27	-	-	-	116	116	-	-
Total Leases	\$ 3,043	\$ 2,037	\$ 922	\$ -	\$ -	\$ (45)	\$ 4,113	\$ 3,997	\$ -	-
SUBSCRIPTIONS										
Governmental Activities										
Event Registration and Management System - Public Safety	\$ 8	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 4	\$ 4	\$ -	01/14/25
Platform for Payroll and HRIS Services - Administrative Services/City Treasurer	596	-	205	-	-	37	428	428	-	04/01/26
Risk Management Information System - Self Insurance	225	-	110	-	-	-	115	115	-	07/01/24
Enterprise Software - Administrative Services - 2021	2,173	-	2,173	-	-	-	-	-	-	08/01/22
Server Software - Administrative Services - 2021	58	-	58	-	-	-	-	-	-	08/01/22
Debt Management Software - City Treasurer	12	-	12	-	-	-	-	-	-	12/01/22
Enterprise Software - Administrative Services - 2023	127	-	127	-	-	-	-	-	-	08/01/22
Enterprise Software - Administrative Services - 2022	40	-	40	-	-	-	-	-	-	07/15/23
Investigative Software and Storage - Public Safety - 2023	851	-	851	-	-	-	-	-	-	08/01/22
Core Enterprise User Plan - Administrative Services	181	-	17	-	-	-	92	92	-	10/18/24
Digital Signage and Program/Event Communications - Community Services	35	-	17	-	-	-	18	18	-	08/29/24
Policy and Accreditation Software - Public Safety	20	-	20	-	-	-	-	-	-	08/16/25
E-mail and Communication Management Service - Administrative Services	28	-	-	-	-	-	28	28	-	08/01/24
Evacuation Planning Software - Public Safety	-	72	50	-	-	-	22	22	-	11/15/25
Situational Awareness Software - Public Safety	-	167	37	-	-	-	130	130	-	08/11/27
Enterprise Software - Administrative Services - 2024	-	5,870	1,126	-	-	-	4,744	4,744	-	08/01/28
Server Software - Administrative Services - 2024	-	121	23	-	-	-	98	98	-	08/01/28
Network Automation Software - Administrative Services	-	293	103	-	-	-	190	190	-	11/11/25
Inaging - Administrative Services	-	436	154	-	-	-	282	282	-	12/03/25
Geospatial Technology System - Public Works/Administrative Services	-	105	37	-	-	-	68	68	-	07/01/25
Advanced Network Management - Administrative Services	-	1,426	274	-	-	-	1,152	1,152	-	03/15/29
Computer Aided Dispatch Subscription - Public Safety	-	525	347	-	-	-	178	178	-	07/01/25
Security and Compliance Automation Platform - Administrative Services	-	100	36	-	-	-	64	64	-	04/19/26
Investigative Software and Storage - Public Safety - 2024	-	2,661	594	-	-	-	2,067	2,067	-	10/01/27
Cyber Asset Attack Surface Management Tool - Administrative Services	-	131	-	-	-	-	131	131	-	12/02/25
Subtotal Governmental Activities	4,363	11,907	6,496	-	-	37	9,811	9,811	-	-
Business-type Activities										
Airport Agreement Tracking - Airport	29	-	29	-	-	-	-	-	-	07/01/23
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	90	-	29	-	-	-	61	61	-	02/16/26
Core and Permit Management Modules - Water and Sewer Utility	25	-	25	-	-	-	-	-	-	07/01/23
Geospatial Technology System - Water and Sewer Utility	-	29	10	-	-	-	19	19	-	07/01/25
Geospatial Technology System - Solid Waste	-	6	2	-	-	-	4	4	-	07/01/25
Subtotal Business-type Activities	144	35	95	-	-	-	84	84	-	-
Total Subscriptions	\$ 4,507	\$ 11,942	\$ 6,591	\$ -	\$ -	\$ 37	\$ 9,895	\$ 9,811	\$ -	84

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

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2024 (in thousands)

	July 1, 2023	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2024	Governmental Activities	Business-type Activities	Final Payment Date
PUBLIC-PUBLIC PARTNERSHIPS										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 1,964	\$ -	\$ 140	\$ -	\$ -	\$ -	\$ 1,824	\$ 1,824	\$ -	2032
Bureau of Reclamation\TPC	2,656	-	112	-	-	-	2,544	2,544	-	2035
Total Public-Public Partnerships	<u>\$ 4,620</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,368</u>	<u>\$ 4,368</u>	<u>\$ -</u>	
TOTAL BONDS, CONTRACTS, LEASES, SUBSCRIPTIONS, AND PUBLIC-PUBLIC PARTNERSHIPS										
	\$ 878,015	\$ 15,855	\$ 106,523	\$ -	\$ -	\$ (6,419)	\$ 780,928	\$ 562,423	\$ 218,505	
Compensated Absences							\$	\$ 33,266	\$ 4,399	
Total Other Postemployment Benefit Liability								863	-	
Net Pension Liabilities								318,881	33,279	
Risk Management Claims								20,958	-	
Pollution Remediation Obligation								-	45,186	
Total Long-Term Debt							<u>\$</u>	<u>\$ 936,391</u>	<u>\$ 301,369</u>	

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



Statistical Section

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Financial Trends	184
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	193
These schedules contain information to help the reader assess the city's most significant local revenue sources, property tax, and sales and use taxes.	
Debt Capacity	200
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	206
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	208
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
(in thousands)
(accrual basis of accounting)

Table I

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental Activities										
Net Investment in Capital Assets	\$ 2,663,269	\$ 3,406,976	\$ 3,530,134	\$ 3,604,063	\$ 3,675,567	\$ 3,748,249	\$ 4,065,844	\$ 4,162,863	\$ 4,247,801	\$ 4,468,449
Restricted	117,485	122,932	125,366	123,057	119,657	146,017	189,263	266,758	330,043	350,415
Unrestricted	(19,464)	(3,679)	(43,632)	(27,779)	(5,012)	23,905	63,519	132,712	234,291	303,529
Total Governmental Activities Net Position	\$ 2,761,290 ⁽¹⁾	\$ 3,526,229 ⁽²⁾	\$ 3,611,868 ⁽³⁾	\$ 3,699,341 ⁽⁴⁾	\$ 3,790,212 ⁽⁵⁾	\$ 3,918,171 ⁽⁶⁾	\$ 4,318,626	\$ 4,562,333	\$ 4,812,135 ⁽⁷⁾	\$ 5,122,393
Business-type Activities										
Net Investment in Capital Assets	\$ 1,036,650	\$ 1,059,001	\$ 1,069,475	\$ 1,099,864	\$ 1,093,556	\$ 1,102,183	\$ 1,157,026	\$ 1,195,005	\$ 1,221,022	\$ 1,316,476
Restricted	46,901	47,521	48,911	48,926	52,204	52,728	51,596	54,717	54,119	4,907
Unrestricted	253,109	255,503	256,129	250,500	282,796	301,788	291,368	284,046	284,450	311,128
Total Business-type Activities Net Position	\$ 1,336,660 ⁽⁸⁾	\$ 1,362,025 ⁽⁹⁾	\$ 1,374,515	\$ 1,399,290	\$ 1,428,556	\$ 1,456,699	\$ 1,499,990	\$ 1,533,768	\$ 1,559,591	\$ 1,632,511
Primary Government										
Net Investment in Capital Assets	\$ 3,699,919	\$ 4,465,977	\$ 4,599,609	\$ 4,703,927	\$ 4,769,123	\$ 4,850,432	\$ 5,222,870	\$ 5,357,868	\$ 5,468,823	\$ 5,784,925
Restricted	164,386	170,453	174,277	171,983	171,861	198,745	240,859	321,475	384,162	355,322
Unrestricted	233,645	251,824	212,497	222,721	277,784	325,693	354,887	416,758	518,741	614,657
Total Primary Government Net Position	\$ 4,097,950	\$ 4,888,254	\$ 4,986,383	\$ 5,098,631	\$ 5,218,768	\$ 5,374,870	\$ 5,818,616	\$ 6,096,101	\$ 6,371,726	\$ 6,754,904

⁽¹⁾In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68 and an adjustment to capital assets.

⁽²⁾In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68 and an adjustment involving prior-year revenue.

⁽³⁾In fiscal year 2016, beginning net position was restated due to an adjustment to capital assets and the recognition of the city's involvement in a joint venture.

⁽⁴⁾In fiscal year 2016, beginning net position was restated due to the recognition of the city's involvement in a joint venture.

⁽⁵⁾In fiscal year 2018, beginning net position was restated due to the implementation of GASB Statement No. 75 and to record the city's endowment funds.

⁽⁶⁾In fiscal year 2020, beginning net position was restated due to the implementation of GASB Statement No. 87.

⁽⁷⁾In fiscal year 2023, beginning net position was restated due to the implementation of GASB Statement No. 94.

⁽⁸⁾In fiscal year 2024, beginning net position was restated due to the implementation of GASB Implementation Guide 2021-1.

City of Scottsdale, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)
(in thousands)

Table IIa

	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾	2019	2020	2021	2022	2023	2024
Expenses										
Governmental Activities										
General Government										
Mayor and City Council	\$ 790	\$ 813	\$ 869	\$ 638	\$ 704	\$ 770	\$ 725	\$ 894	\$ 898	\$ 1,027
City Clerk	927	1,129	845	695	952	1,171	1,209	1,211	1,090	968
City Attorney	6,103	6,893	6,460	6,486	6,890	6,731	6,860	7,389	7,679	8,059
City Auditor	792	821	802	800	898	1,045	1,069	1,103	1,117	1,046
City Court	5,682	4,964	5,421	5,530	5,509	6,047	6,298	6,558	6,475	7,357
City Manager	1,828	1,974	2,288	3,062	3,691	4,647	3,766	5,083	5,639	2,035
City Treasurer	5,088	5,658	5,792	6,071	8,209	9,825	9,688	9,593	10,327	11,683
Other General Government	-	-	-	-	-	-	-	-	-	10,567
Public Works	40,631	38,291	40,035	42,205	47,420	99,218	100,705	109,623	110,284	115,686
Community and Economic Development	138,899	102,892	102,813	102,153	102,680	41,946	35,999	46,396	49,554	51,851
Public Safety	135,647	136,261	172,452	153,256	153,817	173,352	172,141	175,466	182,910	206,102
Community Services	55,134	53,322	54,155	54,710	56,730	64,247	64,769	72,628	80,219	87,734
Administrative Services	17,849	20,264	19,326	21,173	17,974	19,375	19,189	24,705	21,486	34,605
Scottsdale AZ CARES	-	-	-	-	-	-	11,742	2,555	321	117
Streetlight and Service Districts	583	589	589	605	584	555	545	535	529	533
(Gain) Loss on In-Substance Defeasance of Debt	-	-	(32)	-	-	34	-	-	-	-
Interest on Long-Term Debt	34,134	31,665	28,462	28,724	26,364	23,928	17,043	16,857	15,619	16,029
Bond Issuance Costs	1,643	-	672	-	-	-	-	-	-	-
Total Governmental Activities Expenses	445,730	405,536	440,949	426,108	432,422	452,891	451,748	480,596	494,147	555,399
Business-type Activities										
Water Utility	95,958	100,854	95,745	96,493	96,010	105,222	106,778	109,606	117,079	124,386
Sewer Utility	44,352	42,058	50,535	52,142	50,462	57,847	54,152	55,167	66,634	58,401
Airport	3,703	3,894	4,151	7,624	5,370	6,764	7,024	9,150	9,257	9,685
Solid Waste	20,911	20,786	20,181	19,735	21,790	23,195	25,290	26,850	28,755	29,176
Total Business-type Activities Expenses	164,924	167,592	170,612	175,994	173,632	193,028	193,244	200,773	221,725	221,648
Total Primary Government Expenses	\$ 610,654	\$ 573,128	\$ 611,561	\$ 602,102	\$ 606,054	\$ 645,919	\$ 644,992	\$ 681,369	\$ 715,872	\$ 777,047

⁽¹⁾In fiscal year 2017, the city adopted GASB Statement No. 86, which requires the recognition of a gain/loss when bonds are defeased in-substance using existing resources.

⁽²⁾In fiscal year 2018, the city instituted the practice of allocating bond issuance costs amongst the relevant functions.

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

Table 11b

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Program Revenue										
Governmental Activities										
Charges for Services:										
General Government										
Mayor and City Council										
City Clerk	176	155	157	149	142	146	160	162	175	70
City Attorney	227	148	178	165	171	227	175	173	154	66
City Auditor	737	656	688	1,082	792	795	741	597	702	1,514
City Court	188	176	167	181	203	210	221	218	222	145
City Manager	-	225	-	-	-	-	-	-	-	-
City Treasurer	232	2,610	2,583	411	349	373	562	529	539	1,198
Other General Government	2,719	-	-	2,688	3,036	3,045	3,521	3,542	4,612	7,436
Public Works	1,861	6,149	2,041	1,569	1,567	1,763	113	167	223	67
Community and Economic Development	19,474	17,464	18,455	19,503	20,562	22,102	17,457	41,773	17,655	21,993
Public Safety	10,350	11,459	11,739	11,203	11,107	11,088	10,251	11,891	11,104	14,002
Community Services	6,334	6,269	6,268	6,820	7,078	9,908	11,338	14,375	35,335	18,302
Administrative Services	2,827	2,926	3,096	3,094	2,617	2,815	1,987	2,954	2,971	2,498
Scottsdale AZ CARES	-	-	602	584	591	617	529	524	525	489
Streetlight and Services Districts	531	577	602	584	591	617	529	524	525	489
Operating Grants and Contributions	28,397	29,708	29,724	30,760	34,233	55,604	52,751	53,960	55,318	56,708
Capital Grants and Contributions	14,831	82,162	107,334	60,819	35,620	50,088	305,241	87,927	52,556	116,728
Total Governmental Activities Revenues	88,884	160,684	183,258	139,028	118,068	158,781	405,047	218,792	182,091	241,216
Business-type Activities										
Charges for Services:										
Water Utility	98,495	110,560	107,031	117,537	109,947	119,345	130,843	124,640	129,022	151,260
Sewer Utility	39,541	39,741	40,434	40,666	45,419	44,047	45,391	49,823	51,066	50,924
Airport	4,020	4,404	4,390	4,335	5,493	5,851	7,695	9,209	10,489	10,905
Solid Waste	20,232	20,120	20,269	19,687	21,344	22,650	25,532	27,177	31,080	33,738
Capital Grants and Contributions	11,726	22,545	17,539	23,865	17,833	26,631	34,573	38,822	31,597	43,641
Total Business-type Activities Revenues	174,014	197,370	189,663	206,090	200,036	218,524	244,034	249,671	253,254	290,468
Total Primary Government Revenues	\$ 262,898	\$ 358,054	\$ 372,921	\$ 345,118	\$ 318,104	\$ 377,305	\$ 649,081	\$ 468,463	\$ 435,345	\$ 531,684
Net (Expense)/Revenue										
Governmental Activities	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)	\$ (294,110)	\$ (46,701)	\$ (261,804)	\$ (312,056)	\$ (314,183)
Business-type Activities	9,090	29,778	19,051	30,096	26,404	25,496	50,790	48,898	31,529	68,820
Total Primary Government Net Expense	\$ (347,756)	\$ (215,074)	\$ (238,640)	\$ (256,984)	\$ (287,950)	\$ (268,614)	\$ 4,089	\$ (212,906)	\$ (280,527)	\$ (245,363)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274	\$ 316,478	\$ 340,559	\$ 408,581	\$ 424,622	\$ 431,798
Intergovernmental - Unrestricted	56,316	57,630	61,851	66,299	70,380	75,300	85,177	86,281	103,128	122,241
Interest and Investment Income	1,372	2,955	1,132	2,218	11,860	14,605	2,487	(13,201)	10,879	40,323
Miscellaneous and Special Items	13,829	9,987	10,568	10,548	9,130	7,248	10,387	16,088	14,493	16,697
Transfers	6,579	7,174	7,635	7,756	7,581	8,432	8,546	7,762	8,660	9,652
Total Governmental Activities	335,956	343,162	343,330	374,277	405,225	422,063	447,156	505,511	561,782	620,711
Business-type Activities										
Taxes	169	145	158	144	167	128	177	232	261	233
Interest and Investment Income	1,346	2,531	916	2,291	10,276	10,951	870	(7,590)	3,319	13,148
Transfers	(6,579)	(7,174)	(7,635)	(7,756)	(7,581)	(8,432)	(8,546)	(7,762)	(8,660)	(9,652)
Total Business-type Activities	(5,064)	(4,498)	(6,561)	(5,321)	2,862	2,647	(7,499)	(15,120)	(5,080)	3,729
Total Primary Government	\$ 330,892	\$ 338,664	\$ 336,769	\$ 368,956	\$ 408,087	\$ 424,710	\$ 439,657	\$ 490,391	\$ 556,702	\$ 624,440
Change in Net Position										
Governmental Activities	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871	\$ 127,953	\$ 400,455	\$ 243,707	\$ 249,726	\$ 306,528
Business-type Activities	4,026	25,280	12,490	24,775	29,266	28,143	43,291	33,778	26,449	72,549
Total Primary Government	\$ (16,864)	\$ 123,590	\$ 98,129	\$ 111,972	\$ 120,137	\$ 156,096	\$ 443,746	\$ 277,485	\$ 276,175	\$ 379,077

Table IIc

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

Table III

	2015	2016	2017	2018 ⁽¹⁾	2019	2020	2021	2022	2023	2024
General Fund										
Nonspendable	\$ 227	\$ 249	\$ 269	\$ 264	\$ 271	\$ 278	\$ 304	\$ 404	\$ 486	\$ 570
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	56,017	65,347	58,518	72,809	97,097	136,390	170,994	191,490	226,509	246,432
Total General Fund	\$ 56,244	\$ 65,596	\$ 58,787	\$ 73,073	\$ 97,368	\$ 136,668	\$ 171,298	\$ 191,894	\$ 226,995	\$ 247,002
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 619	\$ 604	\$ 555	\$ 681	\$ 599	\$ 609	\$ 644
Restricted	113,237	116,847	105,777	115,391	112,267	133,424	200,495	250,160	342,895	328,284
Committed	49,554	52,508	58,644	62,867	65,100	67,703	81,703	98,518	155,759	204,861
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, Reported in:										
Special Revenue Funds	(1,083)	(1,010)	(2,175)	(681)	(708)	(2,807)	(2,111)	(4,153)	(3,959)	(4,174)
Debt Service Funds	-	-	-	-	(589)	-	-	-	-	(171)
Capital Project Funds	(4,770)	(4,720)	(11,205)	(6,957)	(13,154)	(7,594)	(4,689)	(24,834)	(23,171)	(45,328)
Total All Other Governmental Funds	\$ 156,938	\$ 163,625	\$ 151,041	\$ 171,239	\$ 163,520	\$ 191,281	\$ 276,079	\$ 320,290	\$ 472,133	\$ 484,116

⁽¹⁾In fiscal year 2018, beginning fund balance was restated due to the recognition of the city's endowment funds.

City of Scottsdale, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(in thousands)

Table IVa

	2015	2016 ⁽¹⁾	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes - Local	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433	\$ 317,143	\$ 340,782	\$ 409,773	\$ 438,942	\$ 434,239
Taxes - Intergovernmental	68,603	70,526	75,978	81,197	83,962	87,760	98,603	99,642	114,500	133,032
Business and Liquor Licenses	1,925	1,894	1,861	1,768	1,918	1,869	1,708	1,915	2,862	2,746
Charges for Current Services	25,855	24,404	25,225	27,063	29,774	30,009	34,702	36,960	35,960	41,176
Fines, Fees, and Forfeitures	10,000	10,617	10,532	10,387	8,960	8,831	7,816	8,679	8,074	10,619
Property Rental	5,282	4,922	5,854	5,859	6,089	4,031	7,221	11,366	10,045	11,884
Interest Earnings	1,934	2,373	2,634	4,224	6,956	8,595	6,790	6,379	14,029	25,456
Net Increase (Decrease) in the Fair Value of Investments	(562)	582	(1,502)	(2,006)	4,904	6,010	(4,303)	(19,580)	(3,150)	14,867
Intergovernmental	19,846	16,070	20,725	27,335	25,479	47,850	36,004	40,157	59,267	48,223
Developer Contributions	653	319	498	835	412	1,128	2,723	4,012	7,679	3,478
Streetlight and Services Districts	531	577	602	584	591	617	529	524	525	489
Contributions and Donations	3,558	2,268	2,589	2,333	2,575	9,069	4,398	3,841	3,640	2,430
Reimbursements from Outside Sources	3,445	1,942	2,266	1,840	2,415	2,193	2,121	4,058	1,989	2,515
Indirect Costs	6,987	6,501	6,993	7,455	6,899	7,614	7,370	7,217	7,191	8,313
Other	5,134	954	1,110	869	751	737	488	1,037	2,264	1,261
Total Revenues	\$ 412,042	\$ 408,363	\$ 419,664	\$ 458,078	\$ 492,118	\$ 533,456	\$ 546,952	\$ 615,980	\$ 703,817	\$ 740,728

⁽¹⁾In fiscal year 2016, moved "Sale of General Capital Assets" from "Other" within the "Revenues" section to "Sale of General Capital Assets" within the "Other Financing Sources (Uses)" section.

City of Scottsdale, Arizona
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)
(in thousands)

Table IVb

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenditures										
General Government										
Mayor and City Council	\$ 784	\$ 818	\$ 887	\$ 653	\$ 747	\$ 782	\$ 723	\$ 878	\$ 930	\$ 1,035
City Clerk	917	1,138	873	735	1,004	1,163	1,246	1,256	1,082	972
City Attorney	6,012	7,118	6,576	6,747	7,471	6,826	6,597	7,276	7,565	8,052
City Auditor	782	824	823	816	948	1,049	1,045	1,099	1,197	1,063
City Court	5,584	4,975	5,381	5,692	5,797	5,970	6,194	6,528	6,696	7,330
City Manager	1,832	1,965	2,200	3,094	3,746	4,531	3,621	4,987	5,877	1,812
City Treasurer	4,904	5,785	5,657	5,979	8,593	9,714	9,418	9,544	10,632	11,558
Other General Government	-	-	-	-	-	-	-	-	-	10,567
Public Works	34,518	32,850	33,636	35,013	35,154	44,382	41,410	45,228	48,271	52,940
Community and Economic Development	44,550	42,735	46,320	47,696	48,860	34,431	31,259	41,973	45,541	46,821
Public Safety	123,761	128,527	137,304	136,075	146,250	157,557	153,754	210,701	198,067	209,835
Community Services	44,998	45,508	46,224	47,056	48,786	52,924	48,034	56,679	67,439	68,445
Administrative Services	15,050	15,648	15,919	16,309	15,279	14,727	19,307	17,167	18,392	27,550
Scottsdale AZ CARES	-	-	-	-	-	-	12,974	2,259	-	-
Streetsight and Services Districts	583	589	589	605	584	555	545	535	529	533
Debt Service										
Principal	105,930	53,313	57,956	68,017	66,053	70,076	68,955	70,557	70,918	81,447
Interest and Fiscal Charges	36,706	34,664	31,285	32,052	29,752	27,854	20,634	19,111	17,918	17,740
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	6,983	-	-	-	-
Bond Issuance Costs	1,643	-	672	241	-	508	1,745	-	845	-
Capital Outlay	52,164	26,674	75,099	54,311	64,395	80,009	70,417	87,417	148,652	187,042
Total Expenditures	\$ 480,718	\$ 403,131	\$ 467,401	\$ 461,091	\$ 483,419	\$ 520,041	\$ 497,878	\$ 583,195	\$ 650,551	\$ 734,742
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699	\$ 13,415	\$ 49,074	\$ 32,785	\$ 53,266	\$ 5,986

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

Table IVc

	2015	2016 ⁽⁰⁾	2017	2018	2019	2020	2021	2022	2023	2024
Other Financing Sources (Uses)										
Transfers In	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177	\$ 119,124	\$ 135,337	\$ 136,575	\$ 178,154	\$ 204,755
Transfers Out	(83,211)	(79,079)	(94,074)	(96,272)	(100,735)	(110,525)	(126,874)	(129,030)	(169,542)	(195,142)
Financing of Leases	-	-	-	-	244	1,025	122	1,517	916	1,978
Financing of Subscription-Based I.T. Arrangements	-	-	-	-	-	-	4,746	302	2,486	11,944
Financing of Contracts Payable	-	-	-	-	-	-	-	1,009	265	1,876
Issuance of Refunding Bonds	207,173	-	58,480	-	-	2,563	239,545	-	-	-
Issuance of Long-Term Capital-Related Debt	26,815	-	17,410	25,500	-	42,550	51,160	-	73,705	-
Premium on Long-Term Debt Issued	23,871	-	12,955	3,496	-	1,323	4,200	-	4,850	-
Payment to Refunded Bonds Escrow Agent	(168,069)	-	(68,105)	-	-	(2,563)	(238,102)	-	-	-
Sale of General Capital Assets	-	4,806	251	214	191	149	220	21,649	42,844	593
Total Other Financing Sources (Uses)	96,385	10,807	28,344	36,864	7,877	53,646	70,354	32,022	133,678	26,004
Net Change in Fund Balances	\$ 27,709	\$ 16,039	\$ (19,393)	\$ 33,851	\$ 16,576	\$ 67,061	\$ 119,428	\$ 64,807	\$ 186,944	\$ 31,990
Debt Service as a Percentage of Non-capital Expenditures	33.3%	23.4%	22.7%	24.3%	22.5%	22.2%	21.0%	18.1%	17.7%	18.1%

⁰In fiscal year 2016, moved "Sale of General Capital Assets" from "Other" within the "Revenues" section to "Sale of General Capital Assets" within the "Other Financing Sources (Uses)" section.

City of Scottsdale, Arizona
 Tax Revenues By Source
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 (in thousands)

Table V

Fiscal Year	Sales and Use Taxes						
	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy	
2015	\$ 64,272	\$ 100,560	\$ 34,429	\$ 19,097	\$ 9,837	\$	17,047
2016	61,956	104,995	36,029	19,938	10,294		17,397
2017	63,320	103,081	35,489	19,615	10,140		18,951
2018	63,577	116,679	40,089	22,044	11,454		19,837
2019	68,738	122,152	41,909	27,788 ⁽¹⁾	11,974		22,407
2020	67,911	122,923	42,331	35,022	12,094		18,793
2021	69,826	136,511	46,921	39,023	13,406		18,013
2022	72,602	165,535	57,013	47,586	16,289		31,863
2023	67,634	181,553	62,550	52,373	17,872		36,492
2024	73,214	175,426	60,427	50,902	17,265		34,597

Fiscal Year	Franchise Taxes			Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other	
2015	\$ 3,748	\$ 8,691	\$ 19,867	\$ 26,316	\$ 906	
2016	3,816	8,826	20,647	26,173	913	
2017	3,896	8,655	21,755	28,976	921	
2018	4,391	9,106	23,719	30,549	931	
2019	3,293	8,832	25,187	30,269	3,102	
2020	5,445	8,231	26,395	33,015	4,177	
2021	4,204	8,456	30,615	37,207	4,209	
2022	3,825	9,490	34,247	33,718	5,342	
2023	3,625	10,155	35,884	47,853	6,488	
2024	3,358	11,181	36,693	64,406	7,636	

⁽¹⁾The Privilege and Use-Transportation tax rate increased from 0.2 percent to 0.3 percent, effective February 1, 2019.

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

Table VI

	2015	2016	2017 ⁽¹⁾	2018	2019 ⁽²⁾	2020	2021	2022	2023	2024
Automotive	\$ 1,335,511	\$ 1,403,834	\$ 1,489,632	\$ 1,558,428	\$ 1,792,335	\$ 1,725,497	\$ 1,940,656	\$ 1,984,944	\$ 2,037,030	\$ 2,046,757
Construction	1,057,986	969,281	901,684	962,050	997,164	1,044,980	1,223,155	1,193,366	1,596,705	1,748,177
Food Stores	690,837	713,187	677,978	763,117	796,551	860,447	883,237	878,442	945,114	985,835
Hotel/Motel	525,421	543,121	641,146	682,078	730,329	595,455	551,361	965,649	1,053,661	1,022,072
Major Department Stores	937,370	927,469	888,674	966,996	970,656	944,390	1,037,297	1,147,151	1,205,502	1,192,745
Miscellaneous Retail Stores	1,612,954	1,708,411	1,785,097	2,010,364	2,200,161	2,438,658	3,054,740	3,683,694	3,828,950	3,903,186
Other Taxable Activity	695,566	728,596	756,718	926,445	1,059,397	1,119,896	1,368,741	1,697,911	1,881,617	1,917,642
Rentals	1,315,545	1,417,607	1,380,366	1,644,191	1,719,075	1,747,873	1,746,613	2,132,353	2,227,753	2,230,629
Restaurants	925,948	961,340	957,757	1,065,825	1,144,395	1,008,526	1,170,867	1,518,421	1,684,960	1,693,772
Utilities	435,879	497,773	451,318	467,609	455,118	466,345	476,372	478,033	524,314	553,790
Total	\$ 9,533,017	\$ 9,870,619	\$ 9,930,370	\$ 11,047,103	\$ 11,865,181	\$ 11,952,067	\$ 13,453,039	\$ 15,679,964	\$ 16,985,606	\$ 17,294,605
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

⁽¹⁾ Effective January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, jet fuel, and bed taxes.

⁽²⁾ Effective February 1, 2019, the privilege tax rate increased to 1.75%.

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

Table VII

Privilege (Sales) Tax Rates				Use Tax Rates			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%
2017	1.65%	0.70%	5.60%	2017	1.45%	0.00%	5.60%
2018	1.65%	0.70%	5.60%	2018	1.45%	0.00%	5.60%
2019	1.75% ⁽²⁾	0.70%	5.60%	2019	1.55% ⁽²⁾	0.00%	5.60%
2020	1.75%	0.70%	5.60%	2020	1.55%	0.00%	5.60%
2021	1.75%	0.70%	5.60%	2021	1.55%	0.00%	5.60%
2022	1.75%	0.70%	5.60%	2022	1.55%	0.00%	5.60%
2023	1.75%	0.70%	5.60%	2023	1.55%	0.00%	5.60%
2024	1.75%	0.70%	5.60%	2024	1.55%	0.00%	5.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
2015	5.00%	1.77%	5.50%	2015	0.0180	0.0031	0.0305
2016	5.00%	1.77%	5.50%	2016	0.0180	0.0031	0.0305
2017	5.00%	1.77%	5.50%	2017	0.0180	0.0031	0.0305
2018	5.00%	1.77%	5.50%	2018	0.0180	0.0031	0.0305
2019	5.00%	1.77%	5.50%	2019	0.0180	0.0031	0.0305
2020	5.00%	1.77%	5.50%	2020	0.0180	0.0031	0.0305
2021	5.00%	1.77%	5.50%	2021	0.0180	0.0031	0.0305
2022	5.00%	1.77%	5.50%	2022	0.0180	0.0031	0.0305
2023	5.00%	1.77%	5.50%	2023	0.0180	0.0031	0.0305
2024	5.00%	1.77%	5.50%	2024	0.0180	0.0031	0.0305

Source: City Tax Audit Section

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

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

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

Transient Occupancy Tax applies to transactions involving transient lodging.

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

⁽¹⁾ Effective August 9, 2017, the city can only tax the first 10 million gallons by each purchaser in a calendar year.

⁽²⁾ Effective February 1, 2019, the city transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

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

Table VIII

	Fiscal Year 2024			Fiscal Year 2015		
	Number of Filers	Percentage of Total	Tax Revenue	Number of Filers	Percentage of Total	Tax Revenue
Automotive	724	1.89%	\$ 35,896	579	2.51%	\$ 22,649
Construction	3,030	7.92%	30,241	6,433	27.94%	18,265
Food Stores	232	0.61%	17,040	175	0.76%	11,540
Hotel/Motel	622	1.62%	17,958	75	0.33%	8,777
Major Department Stores	33	0.09%	20,491	27	0.12%	15,598
Miscellaneous Retail Stores	10,080	26.36%	67,335	5,175	22.48%	28,020
Other Taxable Activity	13,917	36.40%	36,500	4,115	17.87%	15,022
Rentals	8,175	21.38%	39,832	5,134	22.30%	21,352
Restaurants	959	2.51%	29,460	1,011	4.39%	15,493
Utilities	462	1.21%	9,500	299	1.30%	7,292
Total	38,234	100.00%	\$ 304,253	23,023	100.00%	\$ 164,008

Note: Due to confidentiality issues, the names of the ten largest revenue payers cannot be disclosed. The categories are intended to provide alternative information regarding the sources of the city's revenue. Transient Occupancy taxes are not included in the Tax Revenue for this table. The "Other Taxable Activity" category includes all license fees, penalties, and interest. Beginning January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, and jet fuel taxes. Due to the changes in the source of the data and the tax law, the number and classification of filers for the two years above may have differences. Effective February 1, 2019, the transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

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

Table IX

Fiscal Year	City Direct Rate			Overlapping Rates			
	City Direct Rate			Scottsdale Unified School District			
	Operating	Debt Service	Total City	Operating	Debt Service and Budget Override	EVIT	Total School
2015	\$ 0.5580	\$ 0.6869	\$ 1.2449	\$ 3.1091	\$ 1.0045	\$ 0.0500	\$ 4.1636
2016	0.5293	0.6244	1.1537	2.8332	1.0263	0.0500	3.9095
2017	0.5071	0.6219	1.1290	2.8566	1.0033	0.0500	3.9099
2018	0.4956	0.5889	1.0845	2.7463	0.9864	0.0500	3.7827
2019	0.5316	0.5705	1.1021	2.5675	1.1364	0.0500	3.7539
2020	0.5198	0.5214	1.0412	2.5928	1.0538	0.0500	3.6966
2021	0.5273	0.5043	1.0316	2.6334	0.9939	0.0500	3.6773
2022	0.5039	0.5042	1.0081	2.5261	0.9318	0.0500	3.5079
2023	0.4970	0.4101	0.9071	2.4282	0.9165	0.0500	3.3947
2024	0.5150	0.4664	0.9814	2.4454	0.9312	0.0500	3.4266

Fiscal Year	County-Wide Jurisdictions										Total Direct and Overlapping
	County										
	Operating	Community College	County Flood	Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	Special Health Care	Total County	Total Direct and Overlapping	
2015	\$ 1.3209	\$ 1.5187	\$ 0.1392	\$ 0.5089	\$ 0.0113	\$ 0.1400	\$ 0.0556	\$ 0.1856	\$ 3.8802	\$ 9.2887	
2016	1.3609	1.4940	0.1592	0.5054	0.0116	0.1400	0.0556	0.3021	4.0288	9.0920	
2017	1.4009	1.4651	0.1792	0.5010	0.0112	0.1400	0.0556	0.3053	4.0583	9.0972	
2018	1.4009	1.4096	0.1792	0.4875	0.0102	0.1400	0.0556	0.2851	3.9681	8.8353	
2019	1.4009	1.3754	0.1792	0.4741	0.0107	0.1400	0.0556	0.2941	3.9300	8.7860	
2020	1.4009	1.3285	0.1792	0.4566	0.0095	0.1400	0.0556	0.3333	3.9036	8.6414	
2021	1.4009	1.2881	0.1792	0.4426	0.0090	0.1400	0.0556	0.3046	3.8200	8.5289	
2022	1.3459	1.2257	0.1792	0.4263	0.0086	0.1400	0.0556	0.2970	3.6783	8.1943	
2023	1.2473	1.1894	0.1592	0.0000	0.0082	0.1400	0.0505	0.2488	3.0434	7.3452	
2024	1.2044	1.1388	0.1536	0.0000	0.0081	0.1400	0.0488	0.2716	2.9653	7.3733	

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2023".
Note: The city has Community Facilities Districts (CFDs) that levy property taxes independent of the city to property owners within a designated area. For fiscal year 2024 the rates were as follows: DC Ranch CFD - \$0.3298 and the Waterfront Commercial CFD - \$4.4168.

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

Table X

Taxpayer	2024			2015		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 68,472	1	0.897%	\$ 60,737	1	1.173%
Scottsdale Fashion Square LLC	47,263	2	0.619%	29,879	2	0.577%
SDQ FEE LLC	24,018	3	0.315%	13,069	7	0.252%
18700 Hayden Road LLC (Cavasson)	22,759	4	0.298%	-	-	-
Camden USA Inc	18,899	5	0.248%	-	-	-
FMT Scottsdale Owner LLC (IMPS)	16,962	6	0.222%	-	-	-
Weingarten Nostat Inc.	16,711	7	0.219%	-	-	-
General Dynamics Decision Systems Inc	15,926	8	0.209%	-	-	-
Portales Corporate Center LLC ⁽¹⁾	15,710	9	0.206%	13,291	6	0.257%
Southwest Gas Corporation	14,819	10	0.194%	11,091	10	0.214%
Gauney Drive Associates	-	-	-	13,412	4	0.259%
Qwest Corporation	-	-	-	13,354	5	0.258%
WJ Small Grandchildrens Trust	-	-	-	13,068	8	0.252%
Scottsdale Fiesta Retail Center	-	-	-	12,574	9	0.243%
Excel Promenade LLC	-	-	-	18,929	3	0.366%
Total	\$ 261,539		3.427%	\$ 199,404		3.851%

Source: The Maricopa County Assessor's Office.

Note: The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the city. SRP is subject to a "voluntary contribution" in-lieu of ad valorem taxation. The fiscal year 2023 assessed valuation of the SRP within the city is \$23,797,699 as provided by SRP.

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

City of Scottsdale, Arizona
Assessed Value of Taxable Property
Last Ten Fiscal Years

(dollars in thousands, excluding the Total Direct Tax Rate)

Table XI

Fiscal Year Ended June 30th	Real Property			Historic and Special Use	Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land					
2015 P	\$ 3,400,223	\$ 1,211,532	\$ 731,585	\$ 2,849	\$ 208,844	\$ (569,038)	\$ 4,985,995	0.56
2015 S	3,542,585	1,228,899	792,839	2,986	209,029	(599,560)	5,176,778	0.69
2016 P	3,608,260	1,197,395	759,840	3,143	196,631	(603,538)	5,161,731	0.53
2016 S	4,210,065	1,306,932	912,980	3,541	196,972	(674,098)	5,956,392	0.62
2017 P	3,842,636	1,209,059	723,452	1,075	217,238	(594,547)	5,398,913	0.51
2017 S	4,510,655	1,451,267	996,458	1,488	217,243	(757,790)	6,419,321	0.62
2018 P	4,071,866	1,268,544	747,981	1,155	223,277	(614,085)	5,698,738	0.50
2018 S	4,794,346	1,650,245	1,135,084	1,716	223,276	(876,231)	6,928,436	0.59
2019 P	4,301,223	1,335,470	737,727	1,187	221,801	(600,412)	5,996,996	0.53
2019 S	5,014,035	1,726,614	1,137,771	1,816	229,030	(885,997)	7,223,269	0.57
2020 P	4,555,026	1,397,576	756,975	1,266	227,231	(614,956)	6,323,118	0.52
2020 S	5,356,377	1,848,894	1,217,117	2,032	236,828	(959,355)	7,701,893	0.52
2021 P	4,813,338	1,465,046	770,044	1,207	241,822	(674,280)	6,617,177	0.53
2021 S	5,719,222	1,988,445	1,215,429	1,873	252,043	(1,022,311)	8,154,701	0.50
2022 P	5,069,144	1,547,914	799,978	1,280	232,722	(694,052)	6,956,986	0.50
2022 S	6,125,758	2,131,654	1,263,825	1,917	233,873	(1,046,330)	8,710,697	0.50
2023 P	5,373,234	1,625,295	785,066	1,364	241,948	(698,108)	7,328,799	0.50
2023 S	6,631,122	2,134,568	1,217,942	2,174	243,283	(1,030,404)	9,198,685	0.41
2024 P	5,692,566	1,651,650	793,012	1,599	230,103	(737,677)	7,631,253	0.52
2024 S	8,528,816	2,422,944	1,397,709	3,202	231,386	(1,189,801)	11,394,256	0.47

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

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

Table XII

Fiscal Year Ended June 30	Total Tax Levy for		Collected within the		Collections in		Total Collections to Date	
	Fiscal Year	Fiscal Year	Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	
2015	\$ 63,223	\$ 62,233		98.2%	\$ 572	\$ 62,805	99.3%	
2016	59,533	58,714		98.6%	538	59,252	99.5%	
2017	60,982	60,056		98.5%	594	60,650	99.5%	
2018	61,861	60,721		98.2%	779	61,500	99.4%	
2019	65,816	64,982		98.3%	663	65,645	99.7%	
2020	65,521	64,273		97.6%	1,095	65,368	99.8%	
2021	68,465	67,423		98.8%	698	68,121	99.5%	
2022	70,334	69,082		98.2%	955	70,037	99.6%	
2023	66,494	65,395		98.3%	456	65,851	99.0%	
2024	75,522	73,502		97.3%	-	73,502	97.3%	

Source: "Total Tax Levy for Fiscal Year" amounts = Maricopa County Tax Levy Reports on County Finance website. "Collections" amounts = Maricopa County Finance Office Secured Tax Levy Report. Amounts represent property taxes recorded in the General, Debt Service, and Self-Insurance Funds.

City of Scottsdale, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except for Per Capita)

Table XIII

Fiscal Year Ended June 30	Governmental Activities										Business-type Activities					
	General Obligation Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Leases	Public-Public Partnerships	Subscriptions		Revenue Bonds	Municipal Property Corporation Bonds	Leases	Subscriptions	Percentage of Personal Income	Per Capita
2015	\$ 624,616	\$ 243,044	\$ 48,276	\$ 11,762	\$ 27,437	\$ -	\$ 229	\$ 2,837	\$ -	\$ -	\$ 309,150	\$ -	\$ -	\$ -	11.26%	\$ 5,689
2016	585,931	232,970	43,489	9,546	24,694	-	156	2,683	-	-	295,807	-	-	-	10.26%	5,292
2017	590,910	221,535	17,823	7,264	21,860	-	95	2,529	-	-	353,773	-	-	-	9.98%	5,212
2018	568,259	208,828	13,215	4,914	19,244	-	32	2,375	-	-	336,407	-	-	-	8.96%	4,843
2019	521,632	193,165	8,432	2,493	16,707	-	219	2,221	-	-	318,235	-	-	-	7.45%	4,232
2020	467,788	218,786	2,825	-	13,808	-	2,373	2,068	-	-	299,138	-	70	70	6.59%	3,952
2021	475,212	202,825	1,448	-	11,084	451	1,799	1,914	451	451	285,707	-	24	24	6.57%	4,118
2022	421,589	187,101	-	-	8,256	1,314	2,568	1,760	1,314	1,314	265,472	-	96	96	5.68%	3,691
2023	442,783	172,808	-	-	6,740	1,083	2,947	4,620	1,083	1,083	242,431	-	144	144	5.16%	3,612
2024	378,783	158,287	-	-	5,391	1,786	3,997	4,368	1,786	1,786	218,305	116	84	84	4.12%	3,195

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

Fiscal Year Ended June 30	Governmental	Less: Amounts	Net General Bonded Debt	Percentage of Total Taxable Assessed Value of Property	Per Capita
	Activities - General Obligation Bonds	Available in Debt Service Fund			
2015	\$ 624,616	\$ 12,172	\$ 612,444	11.8%	\$ 2,683
2016	585,931	11,529	574,402	9.6%	2,484
2017	590,910	11,516	579,394	9.0%	2,434
2018	568,259	2,471	565,788	8.2%	2,333
2019	521,632	1,394	520,238	7.2%	2,038
2020	467,788	1,042	466,746	6.1%	1,808
2021	475,212	3,469	471,743	5.8%	1,955
2022	421,589	8,714	412,875	4.7%	1,700
2023	442,783	7,291	435,492	4.7%	1,791
2024	378,783	105	378,678	3.3%	1,549

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

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

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

City of Scottsdale, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2024
(dollars in thousands)

Table XV

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Maricopa County Community College District	\$ 57,615	13.9454%	\$ 8,035
Maricopa County Special Healthcare District	544,135	13.9454%	75,882
Tempe Elementary School District No. 3	126,650	0.0001%	-
Balsz Elementary School District No. 31	31,605	6.0894%	1,925
Scottsdale Unified School District No. 48	246,180	69.5871%	171,310
Paradise Valley Unified School District No. 69	323,977	29.5778%	95,825
Cave Creek Unified School District No. 93	19,065	61.9653%	11,814
Fountain Hills Unified School District No. 98	3,380	3.3990%	115
Phoenix Union High School District No. 210	364,285	0.3653%	1,331
Tempe Union High School District No. 213	101,820	0.0001%	-
Western Maricopa Education Center District No. 402	98,510	6.3248%	6,231
Subtotal, overlapping debt			372,468
City direct debt	562,423	100.0000%	562,423
Total direct and overlapping debt			\$ 934,891

Sources: The various entities; *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; and *Maricopa County 2023 Tax Levy*, Maricopa County Department of Finance.

Notes:

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

The proportion of overlapping debt applicable to the city is computed on the ratio of 2023-24 net assessed limited property value for the overlapping jurisdiction within the city to the total net assessed limited property valuation of the overlapping jurisdiction.

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

Table XVIa

	2015	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019	2020	2021	2022	2023	2024
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,035,356	\$ 1,191,278	\$ 1,283,864	\$ 1,385,687	\$ 1,444,654	\$ 1,540,379	\$ 1,630,940	\$ 1,742,139	\$ 1,839,737	\$ 2,278,851
Total Net Debt Applicable to 20% Limit	532,888	513,768	521,179	511,046	479,265	433,865	444,366	395,172	411,487	351,404
Excess Premium			8,180	10,637	10,415	10,181	12,713	11,549	13,996	12,193
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 502,468	\$ 677,510	\$ 754,505	\$ 864,004	\$ 954,974	\$ 1,096,333	\$ 1,173,861	\$ 1,335,418	\$ 1,414,254	\$ 1,915,254
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	51.47%	43.13%	41.23%	37.65%	33.90%	28.83%	28.03%	23.35%	23.13%	15.90%
6% Limitation										
Debt Limit Equal to 6% of Assessed Valuation	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396	\$ 462,114	\$ 489,282	\$ 522,642	\$ 551,921	\$ 683,655
Total Net Debt Applicable to 6% Limit	54,022	37,747	26,116	14,419	3,950	-	3,859	3,713	8,128	7,706
Excess Premium			-	-	-	-	426	410	929	881
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 256,584	\$ 319,637	\$ 359,043	\$ 401,287	\$ 429,446	\$ 462,114	\$ 484,997	\$ 518,519	\$ 542,864	\$ 675,068
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	17.39%	10.56%	6.78%	3.47%	0.91%	0.00%	0.88%	0.79%	1.64%	1.26%

⁽¹⁾ Restated fiscal year 2016 debt limit and debt margin amounts to reflect the usage of the secondary, as opposed to the primary, valuation amount.

⁽²⁾ Beginning in fiscal year 2017, a change in state law requires the "Excess Premium" to be included with the debt subject to the legal debt margin limitations.

City of Scottsdale, Arizona
 Legal Debt Margin Information
 As of June 30, 2024
 (in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed Valuation as of June 30, 2024	\$ 11,394,256
<u>20% Limitation</u>	
Debt Limit Equal to 20% of Assessed Valuation	\$ 2,278,851
Debt applicable to limit:	
General Obligation Bonds	351,404
Excess Premium	12,193
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 1,915,254
<u>6% Limitation</u>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 683,655
Debt applicable to limit:	
General Obligation Bonds	7,706
Excess Premium	881
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 675,068

Source: City of Scottsdale, City Treasurer

Notes:

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety, and streets and transportation facilities, but outstanding bonds issued for such purposes may not exceed 20 percent of the city's net assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the city's net assessed valuation. General obligation bonds of community facilities districts are not subject to or included in this computation since they are not bonds of the City of Scottsdale, Arizona.

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

Table XVII

Water and Sewer Revenue Bonds										Municipal Property Corporation Bonds				
Fiscal Year Ended June 30	Operating Revenue ⁽¹⁾	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service		Excise Tax ⁽²⁾	Debt Service		Coverage			
						Principal	Interest		Principal ⁽³⁾	Interest ⁽³⁾				
2015	\$ 139,242	\$ 79,154	\$ 60,088	\$ 5,326	\$ 65,414	\$ 2,940	\$ 1,599	\$ 195,037	\$ 16,950	\$ 22,299	14.41	4.97		
2016	152,612	81,586	71,026	5,156	76,182	3,055	1,487	194,560	20,215	23,220	16.77	4.48		
2017	148,310	85,909	62,401	6,072	68,473	3,195	1,354	196,729	22,550	21,599	15.05	4.46		
2018	160,161	87,130	73,031	6,525	79,556	3,370	1,195	216,643	26,290	23,908	17.43	4.32		
2019	164,487	82,748	81,739	4,256	85,995	3,540	1,026	223,668	30,210	22,474	18.83	4.25		
2020	173,739	98,549	75,190	7,777	82,967	3,725	849	230,539	33,675	21,906	18.14	4.15		
2021	177,073	94,052	83,021	5,257	88,278	3,930	654	251,375	31,625	18,742	19.26	4.99		
2022	167,200	97,184	70,016	5,902	75,918	4,145	447	284,031	32,795	15,929	16.53	5.83		
2023	183,228	116,266	66,962	3,278	70,240	4,375	230	314,347	34,170	14,562	15.25	6.45		
2024	-	-	-	-	N/A	-	-	332,395	35,935	13,061	N/A	6.78		

Scottsdale Preserve Authority Bonds

Fiscal Year Ended June 30	Sales Tax	Debt Service Principal	Debt Service Interest	Coverage
2016	36,029	4,340	2,143	5.56
2017	35,489	4,175	1,423	6.34
2018	40,089	4,365	734	7.86
2019	41,909	4,540	577	8.19
2020	42,331	4,780	350	8.25
2021	46,921	1,280	132	33.24
2022	57,013	1,350	68	40.21
2023	-	-	-	N/A
2024	-	-	-	N/A

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

⁽¹⁾Includes investment income.

⁽²⁾A de minimis amount of the excise taxes are pledged to specific purposes per various resolutions adopted by the City Council. Due to the immateriality of these amounts, they are not deducted from the pledged revenue calculation above.

⁽³⁾Includes debt service payments paid out of revenue from the water and sewer fund, the special programs fund, the tourism development fund, and the stadium facility fund.

City of Scottsdale, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Table XVIII

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (in thousands)	Per Capita Personal Income ⁽³⁾	Median Age ⁽⁴⁾	Charter and Public School Enrollment ⁽⁵⁾	Fiscal Year End Average Unemployment Rate ⁽⁶⁾
2015	228,300	\$ 11,536,227	\$ 50,531	45.4	26,233	4.7%
2016	231,200	11,921,597	51,564	46.1	25,979	4.2%
2017	238,000	12,428,360	52,220	46.3	25,847	3.8%
2018	242,500	13,109,550	54,060	46.3	25,598	3.5%
2019	255,300	14,499,508	56,794	46.9	25,281	3.5%
2020	258,100	15,473,869	59,953	47.0	25,606	3.4%
2021	241,361	15,128,990	62,682	47.7	25,800	6.6%
2022	242,800	15,780,058	64,992	47.7	24,906	3.0%
2023	243,100	17,026,724	70,040	47.9	24,283	2.8%
2024	244,394	18,963,508	77,594	48.7	23,182	2.6%

Data Sources and Notes:

⁽¹⁾ U.S. Census; fiscal years 2015-2021 and 2023-2024 based on U.S. Census July 1 population estimates rounded to the nearest hundred.
 Fiscal year 2021 based on U.S. Census 2020 population for April 1, 2020.

⁽²⁾ Calculated by multiplying Per Capita Personal Income by Total Population divided by 1,000.
 Fiscal year 2024 Source: <https://www.census.gov/quickfacts/quickfacts/fact/table/scottsdalecityarizona/PST045221>

⁽³⁾ U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁴⁾ U.S. Census, American Community Survey, 5-Year Estimates
 Fiscal year 2024 Source: <https://www.census.gov/quickfacts/quickfacts/fact/table/scottsdalecityarizona/PST045221>

⁽⁵⁾ Arizona Department of Education based on Oct 1 enrollment of fiscal year for all charter and district schools located within Scottsdale city boundaries.

⁽⁶⁾ U.S. Census, American Community Survey, 5-Year Estimates.

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

Table XIX

Employer	2024			2015		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
HonorHealth ⁽²⁾	7,459	1	3.37%	6,382	1	5.39%
Vanguard ⁽³⁾	3,133	2	1.41%	2,500	3	2.11%
Scottsdale Unified School District ⁽⁵⁾	2,753	3	1.24%	2,240	4	1.89%
City of Scottsdale	2,719	4	1.23%	2,160	5	1.83%
General Dynamics Mission Systems ⁽⁴⁾	2,565	5	1.16%	1,945	6	1.57%
Axon	1,752	6	0.79%			
Mayo Clinic	1,559	7	0.70%	1,851	7	1.64%
Fairmont Scottsdale Princess	1,410	8	0.64%			
CVS Health ⁽⁷⁾	1,345	9	0.61%	2,800	2	2.36%
Nationwide ⁽⁶⁾	1,284	10	0.58%	1,800	8	1.52%
International Cruise and Excursion				1,340	10	1.13%
McKesson Corporation				1,350	9	1.14%
Total	25,979		11.73%	24,368		20.58%

Source: City of Scottsdale, Economic Development Department communications with employers, July 2024.

⁽¹⁾Annual Employment in 2024 according to ESRI was 221,419; the fiscal year 2015 Annual Financial Report reported annual employment as 118,270.

⁽²⁾Scottsdale Healthcare was renamed HonorHealth in 2015.

⁽³⁾The Vanguard Group was renamed Vanguard Insurance in 2013 and was then renamed Vanguard in 2014.

⁽⁴⁾General Dynamics C4-Systems was renamed General Dynamics Mission Systems in 2016.

⁽⁵⁾Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2024 numbers only report Scottsdale-based employees.

⁽⁶⁾Scottsdale Insurance Company was renamed Nationwide in 2015.

⁽⁷⁾CVS Caremark was renamed CVS Health in 2014.

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

Table XX

Function	2015	2016	2017	2018 ⁽¹⁾	2019 ⁽²⁾	2020 ⁽³⁾	2021	2022	2023	2024 ⁽⁴⁾
General Government										
Mayor and City Council	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
City Clerk	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	53.5	53.5	53.5	53.5	63.5	63.5	63.5	63.5	63.5	63.5
City Auditor	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.8	6.8	6.8
City Court	55.9	58.5	58.5	58.5	58.5	61.0	60.0	60.0	60.6	60.6
City Manager	7.0	7.2	7.2	16.2	17.2	25.3	24.2	26.2	26.7	9.2
City Treasurer	89.7	89.8	86.7	86.7	101.7	102.7	102.5	102.5	102.5	106.5
Public Works	205.0	205.8	206.8	210.8	210.8	237.0	238.2	241.5	243.7	249.7
Community and Economic Development	173.0	185.1	186.6	179.6	182.2	126.3	127.3	128.3	130.7	137.4
Public Safety	930.6	942.7	936.7	937.7	952.7	963.1	971.7	971.9	993.4	1,001.4
Community Services	448.3	469.6	474.6	476.7	476.9	511.2	502.5	505.0	502.3	508.6
Administrative Services	120.9	123.6	125.1	124.1	102.1	95.5	97.5	100.0	104.0	133.0
Water/Sewer Utilities	205.0	211.3	213.3	214.5	215.9	217.9	215.9	217.9	220.9	223.4
Airport	14.5	14.5	14.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Solid Waste	90.0	90.8	92.8	92.8	96.8	96.4	96.4	99.4	101.4	106.4
Total	2,417.4	2,475.4	2,479.3	2,489.6	2,517.3	2,538.9	2,538.7	2,555.5	2,588.9	2,638.9

Source: The City of Scottsdale's Budget Department.

⁽¹⁾Effective fiscal year 2018, Citizen Services was moved from Community and Economic Development to City Manager.

⁽²⁾Effective fiscal year 2019, Purchasing was moved from Administrative Services to City Treasurer, and Risk Management was moved from City Treasurer to City Attorney.

⁽³⁾Effective fiscal year 2020, Communications was moved from Administrative Services to City Manager, Emergency Management was moved from City Manager to Public Safety, Transportation was moved from Community and Economic Development to Public Works, and WestWorld was moved from Community and Economic Development to Community Services.

⁽⁴⁾Effective fiscal year 2024, Communications and Government Relations was moved from City Manager to Administrative Services.

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

Table XXI

Division	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	39%	39%	35%	35%	35%	28%	20%	27%	27%	29%
<i>City Auditor</i>										
# of reports performed	16	13	13	15	14	11	14	13	10	12
<i>City Clerk</i>										
# of legal postings	1,005	1,000	1,067	1,033	946	950	912	882	1,017	981
# of minutes	57	61	56	70	63	59	63	67	70	64
<i>City Court</i>										
Charges filed/charges adjudicated (resolved)	96,741/ 91,200	100,920/ 92,993	100,092/ 85,295	95,301/ 84,602	83,471/ 78,390	88,444/ 77,118	74,419/ 65,915	96,471/ 83,783	96,157/ 88,418	91,958/ 88,677
<i>City Treasurer</i>										
# of Accounts Payable payments issued ⁽²⁾	32,491	31,648	31,268	32,074	30,401	29,206	28,051	29,205	29,399	46,904
# of customer contacts (utilities and licensing)	196,549	190,422	195,819	256,784	140,915	96,201	101,694	104,226	125,589	126,983
# of Purchasing purchase orders ⁽³⁾	5,064	5,078	5,143	4,989	4,984	4,725	4,356	4,205	4,217	4,199
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent ⁽⁴⁾	No Survey	No Survey	96%	No Survey	96%	No Survey	97%	No Survey	95%	No Survey
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent ⁽⁴⁾⁽⁵⁾	No Survey	No Survey	93%	No Survey	97%	No Survey	94%	No Survey	92%	No Survey
Total ad value equivalency generated ⁽⁶⁾	\$34,863	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	0	0	420	0	0	0	0	0	0	0
% increase of Neighborhood Watch groups annually	0%	5%	5%	2%	7%	1%	2%	4%	10%	21%
Administrative Services										
<i>Human Resources</i>										
Citywide turnover ⁽⁷⁾	7.8%	9.6%	8.1%	9.8%	9.3%	10.7%	9.5%	20.4%	16.1%	12.7%
HR operating cost as a % of city payroll	1.4%	1.1%	1.2%	1.3%	1.2%	1.2%	1.2%	1.0%	1.1%	1.0%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the city (An average of 30 seconds per email is expended by staff)	1,395,338	2,686,000	2,117,633	1,512,355	1,026,016	2,032,000	820,000	1,562,340	1,670,481	364,000
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	51.4	58.6	67.2	82.8	86.9	98.3	103.5	114.0	159.0	162.0

(continued)

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

Table XXI

Division	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Community Services										
<i>Preserve</i>										
McDowell Sonoran Preserve Annual Visitors – All trailheads	659,882	706,682	698,090	732,510	747,000	936,000	992,000	882,669	870,000	815,000
<i>Parks and Recreation</i>										
# of square feet of medians and rights of way maintained	22,832,327	22,913,730	22,827,842	22,968,631	22,897,463	22,897,463	23,261,040	23,283,195	23,283,195	30,313,634
<i>WestWorld</i>										
# of special events at WestWorld ⁽²⁾	52	51	55	49	46	30	48	35	42	45
Community and Economic Development										
<i>Planning and Development Services</i>										
Customer wait-time (in minutes) at One Stop Shop	12	12	15	13	14	13	7	5	4	5
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	95%	100%	99%	99%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	100%	98%	98%	98%	98%	99%	99%	99%	100%	100%
# of new Code Enforcement cases processed per year	15,514	13,781	13,797	12,594	13,676	12,358	12,076	11,226	12,251	9,941
<i>Economic Development</i>										
Targeted job creation - # of companies/# of jobs	13 / 1,180	9 / 1,183	14 / 1,019	12 / 1,852	14 / 1,531	9 / 603	7 / 1,005	9 / 769	12 / 797	5 / 1,063
<i>Tourism</i>										
Hotel/Motel average occupancy rate	67.8%	67.9%	75.1%	69.1%	70.2%	55.6%	47.1%	61.9%	66.1%	65.0%
# of Downtown special events coordinated	325	277	174	173	155	129	43	188	182	161
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	153,285	162,535	164,622	166,425	176,677	191,284	192,185	155,092	167,641	171,539
Public Safety										
<i>Police</i>										
# of calls for service ⁽³⁾	221,069	233,531	268,767	271,438	267,923	272,696	238,349	255,691	229,060	217,993
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident-related calls)	5:25	5:12	4:48	4:57	5:05	5:36	5:24	5:36	6:04	6:07
Percent of Emergency Calls Answered within 10 seconds (Target 91% of the time)	95%	91%	93%	98%	94%	88%	91%	92%	85%	88%
<i>Fire</i>										
Total incidents	32,425	35,098	36,407	36,877	37,750	37,456	37,317	41,353	40,675	37,940
Responses per capita	0.14	0.15	0.16	0.15	0.15	0.15	0.14	0.17	0.17	0.16
Travel time (enroute to onscene)	4:33	4:32	4:37	4:46	4:52	5:16	5:29	5:21	5:51	5:22

(continued)

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

Table XXI

Division	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public Works										
<i>Public Works</i>										
Facility inventory maintained (square feet) ⁽¹⁰⁾	3,348,774	2,925,697	2,925,697	2,925,697	2,961,661	2,978,196	2,978,196	3,012,519	3,044,769	2,900,169
# of active Capital Projects managed by CPM	120	155	150	161	180	185	190	196	171	173
<i>Solid Waste</i>										
# of homes serviced by Residential Refuse Collection	80,785	81,187	81,665	82,236	82,711	83,189	83,680	83,993	84,905	84,976
# of citizens serviced annually by Household Hazardous Waste collection program	2,362	3,345	2,770	2,509	2,629	2,426	2,393	2,581	2,449	2,594
<i>Transportation and Street Operations</i>										
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) ⁽¹¹⁾	4,252	6,638	9,737	8,697	4,748	2,176	2,657	2,780	3,783	5,239
Total citywide transit ridership ⁽¹²⁾	2,635,739	2,297,323	2,186,424	2,178,152	1,933,249	1,501,663	646,306	644,306	828,029	858,955
Water Resources										
Water Service Connections	88,905	89,596	90,172	90,817	91,279	91,802	92,590	93,027	93,402	93,788
Drinking Water Supplied (million gallons per day)	63.9	67.5	67.0	70.9	66.3	67.6	74.0	67.7	65.8	68.7
Reclaimed Water Supplied (million gallons per day)	9.2	9.1	11.6	12.2	11.9	11.6	12.0	11.1	12.7	12.3
Sewer Service Connections	79,588	80,202	80,704	81,306	81,841	82,320	82,834	83,268	83,792	84,276
Sewage Treated (million gallons per day)	21.2	20.5	21.4	22.1	22.1	21.6	22.2	22.8	22.0	21.5
# of water meters read annually	1,066,385	1,078,500	1,085,590	1,072,498	1,099,164	1,099,085	1,110,950	1,112,651	1,121,844	1,123,745

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

⁽¹⁾This presentation is consistent with the organizational structure approved as part of the fiscal year 2024 Budget.

⁽²⁾Effective fiscal year 2022 the # of Accounts Payable payments issued figure presented includes all electronic payments.

⁽³⁾Effective fiscal year 2019 the # of Purchasing purchase orders was moved from Administrative Services to City Treasurer to align with an organizational change made by the City Manager.

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

⁽⁵⁾Effective fiscal year 2020 the percentage of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent was moved from Administrative Services to City Manager to align with an organizational changes.

⁽⁶⁾Effective fiscal year 2012 established more appropriate performance measures for the Communications Department activities and products (ad value equivalency). City ceased tracking this statistic effective fiscal year 2016.

⁽⁷⁾Effective fiscal year 2022 the increase in the citywide turnover rate is due to a methodology change.

⁽⁸⁾Effective fiscal year 2020 the # of special events at WestWorld was moved from Community and Economic Development to Community Services to align with an organizational change made by the City Manager.

⁽⁹⁾Measure is for the prior calendar year end, rather than fiscal year end.

⁽¹⁰⁾3.4 million square feet from fiscal year 2015 was calculated manually. The city hired a consultant who completed a building inventory in fiscal year 2016. Square footage was recalculated based on actual measurements.

⁽¹¹⁾The statistic for "Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)" has decreased due to implementation of predefined special timing plans in response to special events, construction, and accidents. Prior to fiscal year 2019, signal timing was changed from cycle to cycle when needed during special events, construction, or accidents based on observations.

⁽¹²⁾Effective fiscal year 2020 total citywide transit ridership was moved from Community and Economic Development to Public Works to align with an organizational change made by the City Manager.

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

Table XXII

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	347	344	344	343	343	341	344	352	355	365
Fire Stations	15	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement ⁽¹⁾	20,827,420	21,036,767	21,023,295	21,046,327	20,071,109	19,933,597	20,080,026	20,080,026	20,080,026	20,080,025
Equivalent 12' Wide Lane Miles	2,958	2,877	2,846	2,990	2,851	2,831	2,852	2,852	2,801	2,852
Traffic Signals	304	307	295	296	296	308	311	315	314	320
Culture and Recreation										
Parks	42	42	42	42	42	42	43	44	44	45
Parks Acreage	975	975	975	975	975	975	975	982	982	1,116
Aquatic Centers	4	4	4	4	4	4	4	4	4	4
Tennis/Pickleball Courts	61	64	64	64	70	70	70	72	72	74
Community Centers	6	6	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,079	2,094	2,102	2,117	2,124	2,133	2,143	2,148	2,152	2,167
Fire Hydrants	10,941	11,052	11,135	11,213	11,301	11,375	11,480	11,582	11,622	11,676
Sewer										
Sanitary Sewers (miles)	1,441	1,452	1,456	1,468	1,483	1,505	1,513	1,520	1,524	1,538
Storm Sewers (miles)	275	285	309	316	325	330	337	342	347	358

Source: City of Scottsdale's divisions.

⁽¹⁾ Pavement sq yards that does not include alleys (230,935) and parking lots (819,875) and streets not maintained by the city.

City of Scottsdale, Arizona
City Treasurer's Office
(480) 312-2437

Visit our website
www.ScottsdaleAZ.gov/Finance

**Attachment 1A -
Communication to Governance**

October 30, 2024

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information City of Scottsdale, Arizona (City) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. The following misstatements of the financial statements were uncorrected by management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole and each applicable opinion unit. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

In addition, as part of the professional services we provided to the City, we assisted with the preparation of the Data Collection Form submission to the Federal Audit Clearinghouse.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the City's auditors.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of

client relationships and specific engagements. Our firm follows the “Independence Rule” of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Single Audit Report
- Independent Accountant’s Report on compliance of Highway User Revenue Fund expenditures in accordance with Arizona Revised Statutes 9-481(B)(2)
- Report on HUD Financial Data Schedules
- Examination report on the Annual Expenditure Limitation Report

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the City Council and management of City of Scottsdale, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Sonia Andrews, City Treasurer/CFO
Name: _____

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Lai Cluff
Printed Name: _____

Acting City Auditor
Title: _____

Lai Cluff
Signature: _____

04/30/2024
Date: _____

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

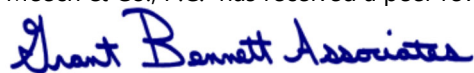
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

email

Signed Checksum

3eceb39a9a4ce6b1a620a0709c324f621fdd3d65b27eae0e3a46643aa5e248b

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
04/30/2024 09:21 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY24_Scottsdale_City.pdf' on Chrome via Windows from 76.134.178.164.
04/30/2024 09:21 MST	Lai Cluff (lcluff@scottsdaleaz.gov) was emailed a link to sign.
04/30/2024 09:34 MST	Lai Cluff (lcluff@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

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FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of City of Scottsdale, Arizona (City), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, , and the aggregate remaining fund information as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
16. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. If applicable, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
24. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
25. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
26. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

27. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
 - we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
28. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
29. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
30. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
32. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
33. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
34. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
35. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
36. The financial statements include all fiduciary activities required by U.S. GAAP.
37. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.

38. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
39. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
40. Investments are properly valued.
41. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
42. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
43. All payroll information and the individual employment data have been properly submitted to the state retirement systems, and the employer contributions have been properly submitted to the retirement systems.
44. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
45. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
46. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
47. Special and extraordinary items, if any, are appropriately classified and reported.
48. Deposits and investment securities are properly classified as to risk and are properly disclosed.
49. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
50. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

51. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
52. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
53. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
54. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules, financial data schedules (FDS) for HUD reporting, the schedule of changes in long-term debt and the schedule of expenditures of federal awards.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
55. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information, including its form and content, is fairly presented and is materially consistent with the basic financial statements.
56. With respect to federal award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).

- b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u. If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.

- v. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb. If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant CFO
City of Scottsdale, Arizona

City of Scottsdale, Arizona
Governmental Activities
Passed Adjusting Journal Entries
June 30, 2024

W/P REF	PAJE	Description	Account class	DR	CR
2061	PGW02	PSPRS Health OPEB Asset	Assets	3,142,000	
		OPEB Expense	Expenses	581,955	
		Deferred outflows of resources	Assets	153,000	
		Deferred inflows of resources	Liabilities		1,130,000
		Beginning net position	Net Position		2,746,955
		To record the OPEB asset for PSPRS Police			
2051	PGW03	ASRS Health OPEB asset	Assets	5,439,497	
		OPEB Expense	Expenses		633,186
		Deferred outflows of resources	Assets	334,214	
		Deferred inflows of resources	Liabilities		2,403,822
		Beginning net position	Net Position		2,736,703
		TO record the OPEB HBS asset for ASRS			

SIGNATURE CERTIFICATE



REFERENCE NUMBER

390D21D1-05F6-4C2B-957F-1124EE428C26

TRANSACTION DETAILS

Reference Number

390D21D1-05F6-4C2B-957F-1124EE428C26

Transaction Type

Signature Request

Sent At

10/29/2024 14:22 EDT

Executed At

10/29/2024 19:51 EDT

Identity Method

email

Distribution Method

email

Signed Checksum

9d096fa5772e8594120349e0e815b254497370efc860a713e6ff3b8e8330f86d

Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Single Audit 24 Scottsdale City

Filename

General_Rep_Single_Audit_24_Scottsdale_City.pdf

Pages

10 pages

Content Type

application/pdf

File Size

267 KB

Original Checksum

63ac52be9c67dde46f9def9ddf39e22dda54885c3f3b1735e3c8b735bb47a3a

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Sonia Andrews</p> <p>Email sandrews@scottsdaleaz.gov</p> <p>Signer Sequence 1</p> <p>Components 1</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 8b6dca4e2911d8d602bc2f2e116254782fca25350b1a332b8d1358af1b2e49e4</p> <p>IP Address 192.206.21.8</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 8656EED7</p>	<p>Viewed At 10/29/2024 19:50 EDT</p> <p>Identity Authenticated At 10/29/2024 19:51 EDT</p> <p>Signed At 10/29/2024 19:51 EDT</p>
<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 1</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum e61ed34d25afadcf12ae252ba9b528ea5cbf926ae6323c4b2a2cb66b6f724074</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID A5CF5334</p>	<p>Viewed At 10/29/2024 14:58 EDT</p> <p>Identity Authenticated At 10/29/2024 14:58 EDT</p> <p>Signed At 10/29/2024 14:58 EDT</p>

AUDITS

TIMESTAMP	AUDIT
10/29/2024 14:22 EDT	Jared Young (jared.young@hm.cpa) created document 'General_Rep_Single_Audit_24_Scottsdale_City.pdf' on Chrome via Windows from 54.144.112.110.
10/29/2024 14:22 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/29/2024 14:24 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 14:38 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.

TIMESTAMP	AUDIT
10/29/2024 14:58 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 14:58 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 14:58 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 14:58 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
10/29/2024 19:44 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a reminder.
10/29/2024 19:50 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) viewed the document on Chrome via Windows from 192.206.21.8.
10/29/2024 19:51 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) authenticated via email on Chrome via Windows from 192.206.21.8.
10/29/2024 19:51 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) signed the document on Chrome via Windows from 192.206.21.8.

**Attachment 1B -
Single Audit Report
(federal compliance)**



City of Scottsdale, Arizona
Single Audit Report
Year Ended June 30, 2024

**City of Scottsdale, Arizona
Single Audit Report
For the Year Ended June 30, 2024**

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Scottsdale, Arizona’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Scottsdale, Arizona’s major federal programs for the year ended June 30, 2024. City of Scottsdale, Arizona’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scottsdale, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scottsdale, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scottsdale, Arizona’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Scottsdale, Arizona’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Scottsdale, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Scottsdale, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Scottsdale, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Scottsdale, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements. We issued our report thereon dated October 29, 2024, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 23/24 Expenditures	Payments to Subrecipients	Total FY 23/24 Expenditures
Department of Agriculture						
Forest Service: State & Private Forestry Hazardous Fuel Reduction Program	10.697	ADFFM	NFHF 21-201	\$ 50,667	\$ -	\$ 50,667
Total Department of Agriculture				<u>\$ 50,667</u>	<u>\$ -</u>	<u>\$ 50,667</u>
Department of Housing and Urban Development						
CDBG - Entitlement Grants/Special Purpose Cluster:						
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-16-MC-04-0503	\$ 79,364	\$ -	\$ 79,364
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MC-04-0503	1,107	-	1,107
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-21-MC-04-0503	305,598	-	305,598
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-22-MC-04-0503	260,631	-	260,631
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-23-MC-04-0503	533,928	317,200	851,128
COVID-19 - Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MW-04-0503	196,681	2,885	199,566
Total CDBG - Entitlement Grants/Special Purpose Cluster:				<u>1,377,309</u>	<u>320,085</u>	<u>1,697,394</u>
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-18-DC-04-0227	5,850	-	5,850
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-19-DC-04-0227	7,380	-	7,380
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-20-DC-04-0227	159	-	159
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-21-DC-04-0227	279	269,000	269,279
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-22-DC-04-0227	27,279	-	27,279
				<u>40,947</u>	<u>269,000</u>	<u>309,947</u>
Housing Voucher Cluster:						
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF	516,151	-	516,151
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032VO	7,969,412	-	7,969,412
Total Housing Voucher Cluster:				<u>8,485,563</u>	<u>-</u>	<u>8,485,563</u>
Assistant Secretary for Public and Indian Housing: Family Self-Sufficiency Program	14.896	N/A	FSS23AZ5346-01-01	92,559	-	92,559
Total Department of Housing and Urban Development				<u>\$ 9,996,378</u>	<u>\$ 589,085</u>	<u>\$ 10,585,463</u>
Department of the Interior						
Bureau of Reclamation: Reclamation States Emergency Drought Relief	15.514	N/A	R21AP10362-00	\$ 572,673	\$ -	\$ 572,673
Total Department of the Interior				<u>\$ 572,673</u>	<u>\$ -</u>	<u>\$ 572,673</u>
Department of Justice						
Office of Justice Programs: National Criminal History Improvement Program (NCHIP)	16.554	ACJC	NCHIP-21-23-008	\$ 15,251	\$ -	\$ 15,251
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	COP	13688934	32,437	-	32,437
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	15PBJA-21-GG-03085-DNAX	160,553	-	160,553
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	15PBJA-22-GG-01598-DNAX	71,639	-	71,639
				<u>232,192</u>	<u>-</u>	<u>232,192</u>

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 23/24 Expenditures	Payments to Subrecipients	Total FY 23/24 Expenditures
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV-22-23-005	4,925	-	4,925
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV-23-24-006	650	-	650
				<u>5,575</u>	<u>-</u>	<u>5,575</u>
Criminal Division: Equitable Sharing Program	16.922	MCACAAR	N/A	308,661	-	308,661
Total Department of Justice				<u>\$ 594,116</u>	<u>\$ -</u>	<u>\$ 594,116</u>
Department of Transportation						
Federal Aviation Administration: Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	N/A	3-04-0032-046-2023	\$ 450,011	\$ -	\$ 450,011
Federal Highway Administration: Highway Planning and Construction	20.205	ADOT	SCT-0(235)D	640,752	-	640,752
Federal Highway Administration: Highway Planning and Construction	20.205	ADOT	SCT-0(236)D	79	-	79
Federal Highway Administration: Highway Planning and Construction	20.205	ADOT	SCT-0(237)D	709,694	-	709,694
				<u>1,350,525</u>	<u>-</u>	<u>1,350,525</u>
Federal Highway Administration: Recreational Trails Program	20.219	APRK	472211/RTP-E-105	29,620	-	29,620
Highway Safety Cluster:						
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2023-PTS-057	22,069	-	22,069
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2024-AI-020	4,029	-	4,029
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2024-AL-031	20,779	-	20,779
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2024-PTS-059	51,052	-	51,052
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405c-006	38,040	-	38,040
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405d-039	21,351	-	21,351
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405h-010	25,086	-	25,086
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405b-502	6,000	-	6,000
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2024-405d-038	73,990	-	73,990
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2024-405g-007	28,296	-	28,296
Total Highway Safety Cluster:				<u>290,692</u>	<u>-</u>	<u>290,692</u>
Total Department of Transportation				<u>\$ 2,120,848</u>	<u>\$ -</u>	<u>\$ 2,120,848</u>
Department of the Treasury						
Department of the Treasury: Equitable Sharing	21.016	MCACAAR	N/A	\$ 398,557	\$ -	\$ 398,557
COVID-19 Departmental Offices: Emergency Rental Assistance Program	21.023	MCHSD	C-22-22-117-X-02	157,393	-	157,393
COVID-19 Departmental Offices: Coronavirus State and Local Fiscal Recovery Funds	21.027	MCHSD	C-22-23-083-X-00	208,242	-	208,242
COVID-19 Departmental Offices: Coronavirus State and Local Fiscal Recovery Funds	21.027	ACFAN	GR-ARPA-ACFAN-090122-01	16,984	-	16,984
COVID-19 Departmental Offices: Coronavirus State and Local Fiscal Recovery Funds	21.027	WIFA	WC1-046-2023	138,675	-	138,675
				<u>363,901</u>	<u>-</u>	<u>363,901</u>
Total Department of the Treasury				<u>\$ 919,851</u>	<u>\$ -</u>	<u>\$ 919,851</u>

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 23/24 Expenditures	Payments to Subrecipients	Total FY 23/24 Expenditures
Institute of Museum and Library Services						
Grants to States	45.310	ASTA	2022-0170-C4	\$ 3,803	\$ -	\$ 3,803
Grants to States	45.310	ASTA	2023-0010-CAP-08	3,999	-	3,999
Grants to States	45.310	ASTA	2023-0170-03	6,287	-	6,287
Grants to States	45.310	ASTA	2023-0340-Staff-02	3,000	-	3,000
COVID-19 Grants to States	45.310	ASTA	2021-0810-MovFor-07	30	-	30
Total Institute of Museum and Library Services				\$ 17,119	\$ -	\$ 17,119
Department of Health and Human Services						
Centers for Disease Control and Prevention: Activities to Support State, Tribal, Local and Territorial Health Dept Response to Public Health or Healthcare Crisis	93.391	MCHSD	C-86-24-008-X-00	\$ 73,267	\$ -	\$ 73,267
Administration for Children and Families: Low-Income Home Energy Assistance	93.568	MCHSD	C-22-22-117-X-02	247,169	-	247,169
Total Department of Health and Human Services				\$ 320,436	\$ -	\$ 320,436
Department of Homeland Security						
Federal Emergency Management Agency: Assistance to Firefighters Grant	97.044	N/A	EMW-2021-FG-00236	\$ 153,022	\$ -	\$ 153,022
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220823-01	40,000	-	40,000
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220823-02	7,386	-	7,386
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	230214-01	13,118	-	13,118
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	230820-01	4,069	-	4,069
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	230820-02	22,157	-	22,157
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	230821-01	50,850	-	50,850
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	230821-02	8,444	-	8,444
				146,024	-	146,024
Total Department of Homeland Security				\$ 299,046	\$ -	\$ 299,046
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 14,891,134	\$ 589,085	\$ 15,480,219

(See Notes to Schedule of Expenditures of Federal Awards)

**CITY OF SCOTTSDALE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024**

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Scottsdale, Arizona (City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 of the U.S. Code of Federal Regulations - Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards provided to sub-recipients are treated as expenditures when paid to the sub-recipient.

2. THE REPORTING ENTITY

The City, for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by Government Accounting Standards Board (GASB).

The City administers certain federal financial assistance programs through sub-recipients. Those sub-recipients are not considered part of the City reporting entity.

3. PASS-THROUGH GRANTOR'S REFERENCE

The City receives certain federal awards passed through the following non-Federal agencies:

ACFAN	Arizona Child & Family Advocacy Network
ACJC	Arizona Criminal Justice Commission
ADFFM	Arizona Department of Forestry and Fire Management
ADOT	Arizona Department of Transportation
APRK	Arizona Parks Board
ASTA	Arizona Secretary of State
AZDOHS	Arizona Department of Homeland Security
COP	City of Phoenix
GOHS	Governor's Office of Highway Safety
MCACAAR	Maricopa County Arizona, County Attorney's Office
MCHSD	Maricopa County Human Services Department
WIFA	Water Infrastructure Finance Authority of Arizona

4. INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. PRIOR YEAR NUMBERS

For fiscal year ending 2023, the Schedule of Federal Awards had \$1,067,274 reported under Assistance Listing 21.016, however should have been reported under Assistance Listing 16.922.

**City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Programs or Clusters</u>
14.218	CDBG-Entitlement/Special Purpose Grants Cluster
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: No

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: Yes



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

PHONE 480-312-2437
FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

October 29, 2024

To Whom It May Concern:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The status for each finding included in the prior year audit's Schedule of Findings and Questioned Costs has been provided.

Sincerely,

Anna Henthorn
Assistant City Treasurer/Assistant CFO

**City of Scottsdale, Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-001
Status: Fully corrected.

Finding Number: 2023-002
Status: Fully corrected.

Finding Number: 2023-003
Status: Fully corrected.

Finding Number: 2023-004
Status: Fully corrected.

Finding Number: 2023-005
Status: Fully corrected.

Finding Number: 2023-006
Status: Fully corrected.

Attachment 1C -
HURF Compliance Report
(state compliance)

Independent Accountant's Report

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

We have examined the City of Scottsdale, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2024. Management is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Scottsdale, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2024.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 2 -
DC Ranch Community Facilities District
(CFD)

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2024

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2024

DC Ranch Community Facilities District

For the Fiscal Year ended June 30, 2024

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Independent Auditor's Report

Board of Directors
DC Ranch Community Facilities District

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of DC Ranch Community Facilities District as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DC Ranch Community Facilities District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the DC Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of DC Ranch Community Facilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DC Ranch Community Facilities District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DC Ranch Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

As management of the DC Ranch Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2024.

Formed in 1997, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2023/24, the District:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- Tax rate continued to comply with the City-imposed assessment limit of \$3.00 per \$100 assessed valuation; the tax rate was \$0.33 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of (\$160,917). Of this amount, \$10,426 was in the General Fund and (\$171,343) was in the Debt Service Fund.
- Governmental fund expenditures were more than revenues by \$339,650, the tax rate was the same as in fiscal year 2022/23 at \$0.33.
- Total long-term debt decreased by \$1,125,000 due to scheduled principal payments.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when 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 will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Debt Service Funds are restricted for payment of debt and debt related costs, and the General Fund is unassigned.

The District maintains two governmental funds, General and Debt Service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by approximately \$3.8 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
ASSETS		
Current Assets	\$ 74,465	\$ 76,460
Noncurrent Assets	1,296,179	1,302,919
Total Assets	1,370,644	1,379,379
Deferred Outflows of Resources	119,977	159,969
Total Assets and Deferred Outflows of Resources	1,490,621	1,539,348
LIABILITIES		
Current Liabilities	1,509,436	1,184,316
Noncurrent Liabilities	3,733,081	4,897,442
Total Liabilities	5,242,517	6,081,758
NET POSITION		
Restricted	(149,218)	158,935
Unrestricted	(3,602,678)	(4,701,345)
Total Net Position	\$ (3,751,896)	\$ (4,542,410)

During the fiscal year, the District's total net position increased by \$790,514.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
REVENUES		
Taxes	\$ 1,333,508	\$ 1,312,334
Interest	502	370
Total Revenues	<u>1,334,010</u>	<u>1,312,704</u>
EXPENSES		
General Government	380,781	71,487
Debt Service	<u>162,715</u>	<u>199,716</u>
Total Expenses	<u>543,496</u>	<u>271,203</u>
Change in Net Position	790,514	1,041,501
Net Position, Beginning of Year	<u>(4,542,410)</u>	<u>(5,583,911)</u>
Net Position, End of Year	<u>\$ (3,751,896)</u>	<u>\$ (4,542,410)</u>

Revenues increased in fiscal 2023/24 due to a slight increase in tax revenue.

On April 5, 2024 the District received notification of a class action lawsuit against Maricopa County for the Qasimyar Settlement, which resulted in a recalculation of property tax. As a result of the lawsuit, Arizona cities and districts were provided with the amounts that were due back to the property owners which included the refunds of taxes as well as the legally accrued interest. The District's total liability provided by Maricopa County is \$303,359 and is included in the General Government expenses. All refunds are expected to be completed in fiscal year 2025.

Overall expenses increased due to the accrued Maricopa County settlement related expense as noted above. The District's overall net position increased for Fiscal Year 2023/24 as the District continued to pay down the long-term liabilities.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2024, the District's governmental funds reported expenditures more than revenues by \$339,650 and an ending fund balance of (\$160,917). Of the total ending fund balance, \$10,426 is in the General Fund and (\$171,343) is in the Debt Service Fund. The governmental funds also recognized \$303,359 of expenditures under Other General Government for the Maricopa County Qasimyar Settlement.

Management’s Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Revenues totaled \$1,328,214 for the fiscal year ended June 30, 2024, of which \$1,327,712 was property tax collected and \$502 was from interest earnings.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct parks, paths, trails, roads, athletic fields and related athletic field infrastructure.

The District has issued all of the authorized \$20,000,000 in District general obligation bonds.

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service, maintenance and administrative fees.

Outstanding Debt

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
General Obligation Bonds	<u>\$ 3,615,000</u>	<u>\$ 4,740,000</u>

The District’s total long-term debt decreased by \$1,125,000 during the current fiscal year due to payment of principal on the refunding bonds.

Next Year’s Budget and Rates

The fiscal year 2024/25 District budget includes a \$0.40 tax rate per \$100 of assessed value. This is a \$0.07 increase from the rate used for the fiscal year 2023/24 budget, and includes landscape and maintenance costs of \$107,000. The District’s long-term financial plan considers the uncertainty of the economy and takes a cautious approach.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all of those with an interest in the government’s finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer’s Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
 June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Current Assets					
Cash	\$ 24,460	\$ -	\$ 24,460	\$ -	\$ 24,460
Taxes Receivable	1,394	48,611	50,005	-	50,005
Total Current Assets	25,854	48,611	74,465	-	74,465
NonCurrent Assets					
Restricted Cash	-	1,296,179	1,296,179	-	1,296,179
Total Assets	<u>\$ 25,854</u>	<u>\$ 1,344,790</u>	<u>\$ 1,370,644</u>	<u>\$ -</u>	<u>\$ 1,370,644</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				119,977	119,977
Total Assets and Deferred Outflows of Resources				<u>\$ 119,977</u>	<u>\$ 1,490,621</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 260	\$ -	\$ 260	\$ -	\$ 260
Matured Bonds Payable	-	1,125,000	1,125,000	-	1,125,000
Bond Interest Payable	-	80,817	80,817	-	80,817
Due to Other Governments	15,168	288,191	303,359	-	303,359
Total Current Liabilities	15,428	1,494,008	1,509,436	-	1,509,436
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,165,000	1,165,000
Due After One Year	-	-	-	2,568,081	2,568,081
Total Noncurrent Liabilities	-	-	-	3,733,081	3,733,081
Total Liabilities	15,428	1,494,008	1,509,436	3,733,081	5,242,517
Deferred Inflows of Resources					
Unavailable Revenues	-	22,125	22,125	(22,125)	-
Total Liabilities and Deferred Inflows of Resources	15,428	1,516,133	1,531,561	3,710,956	5,242,517
Fund Balances/Net Position					
Fund Balances					
Restricted	-	-	-	-	-
Unassigned	10,426	(171,343)	(160,917)	160,917	-
Total Fund Balances	10,426	(171,343)	(160,917)	160,917	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,854</u>	<u>\$ 1,344,790</u>	<u>\$ 1,370,644</u>		
Net Position					
Restricted for Debt Service				(149,218)	(149,218)
Unrestricted				(3,602,678)	(3,602,678)
Total Net Position				<u>\$ (3,751,896)</u>	<u>\$ (3,751,896)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES					
Taxes	\$ 66,386	\$ 1,261,326	\$ 1,327,712	\$ 5,796	\$ 1,333,508
Interest	502	-	502	-	502
Total Revenues	66,888	1,261,326	1,328,214	5,796	1,334,010
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer's Office	\$ 77,422	\$ -	\$ 77,422	\$ -	\$ 77,422
Other General Governmental	15,168	288,191	303,359		303,359
Debt Service					
Principal Retirement	-	1,125,000	1,125,000	(1,125,000)	-
Interest and Fiscal Charges	-	162,083	162,083	632	162,715
Total Expenditures/Expenses	92,590	1,575,274	1,667,864	(1,124,368)	543,496
Change in Fund Balances/Net Position	(25,702)	(313,948)	(339,650)	1,130,164	790,514
Fund Balances/Net Position, Beginning of Year	36,128	142,605	178,733	(4,721,143)	(4,542,410)
Fund Balances/Net Position, End of Year	\$ 10,426	\$ (171,343)	\$ (160,917)	\$ (3,590,979)	\$ (3,751,896)

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The DC Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in March 1997. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the DC Ranch Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees, maintenance and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District has unassigned funds and does not have any nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

A portion of cash and investments held by trustee at June 30, 2024, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item, deferred amount on refunding, that qualifies for reporting in this category. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 22,125
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(3,733,081)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>119,977</u>
Net adjustment to reduce total fund balance to arrive at net position.	(3,590,979)
Total Fund Balance	<u>(160,917)</u>
Total Net Position	<u><u>\$ (3,751,896)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ 5,796
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	1,125,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	<u>(632)</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	1,130,164
Net change in Fund Balance	<u>(339,650)</u>
Change in Net Position	<u><u>\$ 790,514</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Fund Equity and Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset. Deficit ending fund balances were due to the accrual for the Maricopa County Qasimyer Settlement. The deficit fund balances are expected to be resolved in the next fiscal year.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2024, the carrying amount of the District’s deposits and bank balance were \$1,320,639.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Districts deposits may not be returned to it. As of June 30, 2024, \$1,296,179 of the District’s deposits were uninsured and collateralized by securities held by the pledging bank’s trust department not in the District’s name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2024, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,296,179</u>

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2024, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	\$ 1,394	\$ 48,611

At the end of the current fiscal year, unavailable revenue reported in the debt service fund was as follows:

	Debt Service Fund
Unavailable Property Taxes Receivable	\$ 22,125

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds with interest are payable semiannually. Bonds payable at June 30, 2024, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
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. Original issue amount \$14,670,000.	3.41	\$ 3,615,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s full cash valuation.

The District’s bond issuance contains the following provisions that would constitute an event of default by the District:

- Failure to pay the principal and interest when due and payable.

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Private Placement General Obligation Bonds	\$ 4,740,000	\$ -	\$ (1,125,000)	\$ 3,615,000	\$ 1,165,000
Plus Issuance Premium	157,442	-	(39,361)	118,081	-
Total	<u>\$ 4,897,442</u>	<u>\$ -</u>	<u>\$ (1,164,361)</u>	<u>\$ 3,733,081</u>	<u>\$ 1,165,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,165,000	\$ 123,272
2026	1,205,000	83,545
2027	1,245,000	42,454
Total	<u>\$ 3,615,000</u>	<u>\$ 249,271</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 84,802	\$ 66,386	\$ (18,416)
Interest Income	-	502	502
Total Revenues	<u>84,802</u>	<u>66,888</u>	<u>(17,914)</u>
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	73,100	92,590	(19,490)
Other General Government	-	15,168	-
Total Expenditures	<u>73,100</u>	<u>92,590</u>	<u>(19,490)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,702</u>	<u>(25,702)</u>	<u>(37,906)</u>
Net Change in Fund Balance	<u>\$ 11,702</u>	<u>\$ (25,702)</u>	<u>\$ (37,404)</u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 1,274,075	\$ 1,261,326	\$ (12,749)
Total Revenues	<u>1,274,075</u>	<u>1,261,326</u>	<u>(12,749)</u>
EXPENDITURES			
Debt Service			
Other General Government	-	288,191	(288,191)
Principal Retirement	1,125,000	1,125,000	-
Interest and Fiscal Charges	<u>162,634</u>	<u>162,083</u>	<u>551</u>
Total Expenditures	<u>1,287,634</u>	<u>1,575,274</u>	<u>551</u>
Excess of Revenues Over Expenditures	<u>(13,559)</u>	<u>(313,948)</u>	<u>(12,198)</u>
Net Change in Fund Balance	<u>\$ (13,559)</u>	<u>\$ 313,948</u>	<u>\$ (12,198)</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Directors
DC Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise DC Ranch Community Facilities District’s basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DC Ranch Community Facilities District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Ranch Community Facilities District’s internal control. Accordingly, we do not express an opinion on the effectiveness of DC Ranch Community Facilities District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 2A -
DC Ranch CFD
Communication to Governance

October 30, 2024

To the Board of Directors
DC Ranch Community Facilities District

We have audited the financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, (District) as of and for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DC Ranch Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial

statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

Other Matters

As discussed in Note 1, the financial statements of the DC Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of DC Ranch Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Sonia Andrews, City Treasurer/CFO

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: *Lai Cluff*

Date: 04/30/2024

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

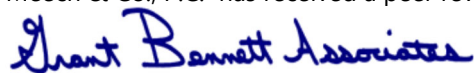
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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510/817-4886

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888/763-7323

Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

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Signed Checksum

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Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
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04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

PHONE 480-312-2437
FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, which comprise the respective financial position of the governmental activities and each major fund, as of June 30, 2024, and the respective changes in financial position for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. If applicable, investments are properly valued.
37. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Special and extraordinary items, if any, are appropriately classified and reported.

42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the supplementary budget comparison information presented for the Debt Service Fund.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor's office a communication to those charged with governance that will include a copy of this representation letter and the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant CFO
City of Scottsdale, Arizona

SIGNATURE CERTIFICATE



REFERENCE NUMBER

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TRANSACTION DETAILS

Reference Number

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Sent At

10/28/2024 19:19 EDT

Executed At

10/29/2024 19:31 EDT

Identity Method

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Distribution Method

email

Signed Checksum

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Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Letters City of Scottsdale Component Units 2024

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Pages

29 pages

Content Type

application/pdf

File Size

317 KB

Original Checksum

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SIGNERS

SIGNER	E-SIGNATURE	EVENTS
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<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum b056f91a0b9540cb697426f2ef9308cb9aa9ba09596b61d14ad91cfd14a85d88</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 0440C58F</p>	<p>Viewed At 10/29/2024 13:46 EDT</p> <p>Identity Authenticated At 10/29/2024 13:50 EDT</p> <p>Signed At 10/29/2024 13:50 EDT</p>

AUDITS

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10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'sandrews@scottsdale.gov' to 'sandrews@scottsdaleaz.gov'.

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10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified signer email/name for 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 35.169.110.255.
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10/28/2024 16:03 EDT	Jared Young (jared.young@hm.cpa) completed revision
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10/29/2024 13:46 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
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10/29/2024 19:31 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) authenticated via email on Chrome via Windows from 192.206.21.8.
10/29/2024 19:31 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) signed the document on Chrome via Windows from 192.206.21.8.

Attachment 2B -
DC Ranch CFD
Report on Internal Control over
Financial Reporting and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
DC Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise DC Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DC Ranch Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of DC Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

**Attachment 3 -
McDowell Mountain Ranch CFD
Annual Financial Report**

McDowell Mountain Ranch Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report

Fiscal Year Ended June 30, 2024

McDowell Mountain Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2024

McDowell Mountain Ranch Community Facilities District

For the Fiscal Year ended June 30, 2024

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Board of Directors
McDowell Mountain Ranch Community Facilities District

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of McDowell Mountain Ranch Community Facilities District, (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the McDowell Mountain Ranch Community Facilities District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of McDowell Mountain Ranch Community Facilities District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the McDowell Mountain Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of McDowell Mountain Ranch Community Facilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McDowell Mountain Ranch Community Facilities District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDowell Mountain Ranch Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

As management of the McDowell Mountain Ranch Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2024.

Formed in 1994, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2023/24, the District's:

- Earned interest and beginning fund balances were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of (\$132,118).
- Governmental fund expenditures were more than revenue by \$213,134.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when 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 will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the General funds are unassigned.

The District maintains one governmental fund. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

The District adopts an annual budget for its General Fund. A supplementary budgetary schedule has been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$131,058 (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
ASSETS		
Current Assets	\$ 70,804	\$ 82,089
Total Assets	<u>70,804</u>	<u>82,089</u>
LIABILITIES		
Current Liabilities	201,862	-
Total Liabilities	<u>201,862</u>	<u>-</u>
NET POSITION		
Unrestricted	(131,058)	82,089
Total Net Position	<u>\$ (131,058)</u>	<u>\$ 82,089</u>

During the fiscal year, the District's total net position decreased by \$213,147.

Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
REVENUES		
Taxes	\$ -	\$ (209)
Interest	826	576
Total Revenues	<u>826</u>	<u>367</u>
EXPENSES		
General Government	11,771	11,166
Other General Government	202,202	
Total Expenses	<u>213,973</u>	<u>11,166</u>
Change in Net Position	(213,147)	(10,799)
Net Position, Beginning of Year	82,089	92,888
Net Position, End of Year	<u>\$ (131,058)</u>	<u>\$ 82,089</u>

Revenues increased in fiscal year 2023/24 due to increased interest earnings.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

On April 5, 2024 the District received notification of a class action lawsuit against Maricopa County for the Qasimyar Settlement, which resulted in a recalculation of property tax. As a result of the lawsuit, Arizona cities and districts were provided with the amounts that were due back to the property owners which included the refunds of taxes as well as the legally accrued interest. The District's total liability provided by Maricopa County is \$201,862 and is included in the Other General Government expenses. All refunds are expected to be completed in fiscal year 2025.

Overall expenses increased due to the accrued Maricopa County settlement related expense as noted above, and as a result the overall net position decreased as well.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending.

As of the end of fiscal year 2023/24, the District's governmental funds reported expenditures more than revenues by \$213,134 and an ending fund balance of (\$132,118). The entire fund balance is unassigned. The governmental funds also recognized \$202,202 of expenditures under Other General Government for the Maricopa County Qasimyar Settlement. The District does not have taxing authority and is seeking resolution with Maricopa County.

Revenues totaled \$839 for the fiscal year ended June 30, 2024.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used for the completion of Thompson Peak Parkway and other infrastructure, such as water and sewer lines necessary for the McDowell Mountain Ranch development.

The District has issued \$18,860,000 of the \$20,000,000 authorized bonds. In fiscal years 1998/99 and 2012/2013, the City Council and the District Board approved the issuance of refunding bonds to consolidate and reduce the costs of the District debt. Refunding bonds totaling \$11,555,000 were issued. All outstanding bonds were paid in full as of June 30, 2022.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay administrative fees.

Next Year's Budget and Rates

The District will not levy taxes since all debt has been satisfied. The fiscal year 2024/25 budget includes estimated ongoing expenses until the District is dissolved.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2022, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Assets			
Current Assets			
Cash	\$ 69,744	\$ -	\$ 69,744
Taxes Receivable	1,060	-	1,060
Total Assets	\$ 70,804	\$ -	\$ 70,804
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION			
Liabilities			
Due to Other Governments	\$ 201,862	\$ -	\$ 201,862
Total Liabilities	201,862	-	201,862
Deferred Inflows of Resources			
Unavailable Revenues	1,060	(1,060)	-
Total Liabilities and Deferred Inflows of Resources	202,922	(1,060)	201,862
Fund Balances/Net Position			
Fund Balances			
Unassigned	(132,118)	132,118	-
Total Fund Balances	(132,118)	132,118	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 70,804		
Net Position			
Unrestricted		(131,058)	(131,058)
Total Net Position		\$ (131,058)	\$ (131,058)

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
For the Fiscal Year Ended June 30, 2024

	General Fund	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ 13	\$ (13)	\$ -
Interest	826	-	826
Total Revenues	<u>839</u>	<u>(13)</u>	<u>826</u>
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer's Office	\$ 11,771	\$ -	\$ 11,771
Other General Government	202,202	-	202,202
Total Expenditures/Expenses	<u>213,973</u>	<u>-</u>	<u>213,973</u>
Change in Fund Balances/Net Position	(213,134)	(13)	(213,147)
Fund Balances/Net Position, Beginning of Year	<u>81,016</u>	<u>1,073</u>	<u>82,089</u>
Fund Balances/Net Position, End of Year	<u>\$ (132,118)</u>	<u>\$ 1,060</u>	<u>\$ (131,058)</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the McDowell Mountain Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The McDowell Mountain Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in January 1994. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the McDowell Mountain Ranch Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any unassigned, nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2024, plus accrued interest, are unrestricted as to usage.

2. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Long-term Obligations

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

5. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported as unrestricted.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	<u>\$ 1,060</u>
Net adjustment to reduce total fund balance to arrive at net position.	1,060
Total Fund Balance	<u>(132,118)</u>
Total Net Position	<u><u>\$ (131,058)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ (13)
Net adjustments to reconcile net changes in fund balances to change in net position.	<u>(13)</u>
Net change in Fund Balance	<u>(213,134)</u>
Change in Net Position	<u><u>\$ (213,147)</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Fund Equity and Deficit Net Position

The deficit ending fund balance and net position is due to the accrual for the Maricopa County Qasimyer Settlement. The deficits are expected to be resolved in the next fiscal year.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2024, the carrying amount of the District’s deposits and bank balance were \$69,744.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2024, the District had no deposits that were exposed to custodial credit risk.

2. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. A lien assessed against real property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2024, were as follows:

Taxes Receivable	\$ 1,060

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	General Fund

Unavailable Property Taxes Receivable	\$ 1,060

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issued general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds were issued for governmental activities only. All bonds have been paid in full.

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s full cash valuation.

Changes in Long-term Liabilities

Since all debt service obligations were satisfied on June 30, 2022, there were no changes in Long-term Liabilities.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

B. Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2022, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ 13	\$ 13
Interest Income	-	826	826
Total Revenues	<u>-</u>	<u>839</u>	<u>839</u>
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	79,500	213,973	(134,473)
Other General Government	-	202,202	-
Total Expenditures	<u>79,500</u>	<u>213,973</u>	<u>(134,473)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,500)</u>	<u>(213,134)</u>	<u>(133,634)</u>
Net Change in Fund Balance	<u>\$ (79,500)</u>	<u>\$ (213,134)</u>	<u>\$ (133,634)</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
McDowell Mountain Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise McDowell Mountain Ranch Community Facilities District’s basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDowell Mountain Ranch Community Facilities District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District’s internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell Mountain Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

**Attachment 3A -
McDowell Mountain Ranch CFD
Communication to Governance**

October 30, 2024

To the Board of Directors
McDowell Mountain Ranch Community Facilities District

We have audited the financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by McDowell Mountain Ranch Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial

statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

Other Matters

As discussed in Note 1, the financial statements of the McDowell Mountain Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of McDowell Mountain Ranch Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Sonia Andrews, City Treasurer/CFO

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: *Lai Cluff*

Date: 04/30/2024

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

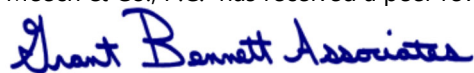
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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510/817-4886

Princeville, HI
888/763-7323

Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

email

Signed Checksum

3eceb39a9a4ce6b1a620a0709c324f621fdd3d65b27eae0e3a46643aa5e248b

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
04/30/2024 09:21 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY24_Scottsdale_City.pdf' on Chrome via Windows from 76.134.178.164.
04/30/2024 09:21 MST	Lai Cluff (lcluff@scottsdaleaz.gov) was emailed a link to sign.
04/30/2024 09:34 MST	Lai Cluff (lcluff@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

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FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of McDowell Mountain Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, which comprise the respective financial position of the governmental activities and the major fund, as of June 30, 2024, and the respective changes in financial position for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. If applicable, investments are properly valued.
37. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41. Special and extraordinary items, if any, are appropriately classified and reported.
42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor a communication to those charged with governance that will include a copy of this representation letter and the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant CFO
City of Scottsdale, Arizona

SIGNATURE CERTIFICATE



REFERENCE NUMBER

753EF1BF-F5E8-4602-98CA-27DB65B52F94

TRANSACTION DETAILS

Reference Number

753EF1BF-F5E8-4602-98CA-27DB65B52F94

Transaction Type

Signature Request

Sent At

10/28/2024 19:19 EDT

Executed At

10/29/2024 19:31 EDT

Identity Method

email

Distribution Method

email

Signed Checksum

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Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Letters City of Scottsdale Component Units 2024

Filename

General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf

Pages

29 pages

Content Type

application/pdf

File Size

317 KB

Original Checksum

4437eaf055dad93544b80e27da124e79d675b5ffb2530716ff247513c2e2bd8c

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Sonia Andrews</p> <p>Email sandrews@scottsdaleaz.gov</p> <p>Signer Sequence 1</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 21dd6abcf5c70018abf2d101cfdaf9a587b7d6cbdcfe3d61182b81e8ef15d69</p> <p>IP Address 192.206.21.8</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 51F86303</p>	<p>Viewed At 10/29/2024 19:29 EDT</p> <p>Identity Authenticated At 10/29/2024 19:31 EDT</p> <p>Signed At 10/29/2024 19:31 EDT</p>
<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum b056f91a0b9540cb697426f2ef9308cb9aa9ba09596b61d14ad91cfd14a85d88</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 0440C58F</p>	<p>Viewed At 10/29/2024 13:46 EDT</p> <p>Identity Authenticated At 10/29/2024 13:50 EDT</p> <p>Signed At 10/29/2024 13:50 EDT</p>

AUDITS

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10/28/2024 13:30 EDT	Sonia Andrews (sandrews@scottsdale.gov) was emailed a link to sign.
10/28/2024 13:30 EDT	Anna Henthorn (ahenthorn@scottsdale.gov) was emailed a link to sign.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'sandrews@scottsdale.gov' to 'sandrews@scottsdaleaz.gov'.

TIMESTAMP	AUDIT
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10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'ahenthorn@scottsdale.gov' to 'ahenthorn@scottsdaleaz.gov'.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified signer email/name for 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 35.169.110.255.
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10/28/2024 15:35 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 15:35 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 16:02 EDT	Jared Young (jared.young@hm.cpa) initiated revision on Chrome via Windows from 54.144.112.110.
10/28/2024 16:03 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 16:03 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 16:03 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
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10/28/2024 19:19 EDT	Jared Young (jared.young@hm.cpa) initiated revision on Chrome via Windows from 54.144.112.110.
10/28/2024 19:19 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 19:19 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/29/2024 13:46 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 13:50 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
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10/29/2024 19:29 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) viewed the document on Chrome via Windows from 40.94.29.213.
10/29/2024 19:31 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) authenticated via email on Chrome via Windows from 192.206.21.8.
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Attachment 3B -
McDowell Mountain Ranch CFD
Report on Internal Control over
Financial Reporting and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
McDowell Mountain Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise McDowell Mountain Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDowell Mountain Ranch Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell Mountain Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 4 -
Municipal Property Corporation (MPC)
Annual Financial Report

City of Scottsdale Municipal Property Corporation

(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report

Fiscal Year Ended June 30, 2024

City of Scottsdale Municipal Property Corporation
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2024

City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2024

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Report on Internal Control and on Compliance

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City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2024

Board Members

Ken Harder	President
Judith Frost	Vice President
David Smith	Secretary
John Arnold	Treasurer
Dennis Robbins	Director

Independent Auditor's Report

Board of Directors
City of Scottsdale Municipal Property Corporation

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of City of Scottsdale Municipal Property Corporation (Corporation), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Scottsdale Municipal Property Corporation, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Scottsdale Municipal Property Corporation, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Scottsdale Municipal Property Corporation are intended to present the net position and changes in net position that are attributable to the Corporation, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of City of Scottsdale Municipal Property Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale Municipal Property Corporation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale Municipal Property Corporation’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

As management of the City of Scottsdale Municipal Property Corporation (Corporation) we offer readers of the City of Scottsdale Municipal Property Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2024. The Corporation is a component unit of the City of Scottsdale, Arizona (City).

FINANCIAL HIGHLIGHTS

For the fiscal year ending 2023/24, the Corporation's:

- Total assets and deferred outflows of resources were equal to total liabilities, resulting in an ending fund balance of \$0 (net position).
- Net change in fund balance was \$0.
- Debt Service Fund reported an ending fund balance of \$0, respectively.
- Bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the Corporation's basic financial statements. Because of its limited purpose, the Corporation's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and (2) Notes to the Basic Financial Statements. Because the Corporation only has one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the Corporation is improving or deteriorating.

The *Statement of Activities* presents information showing how the Corporation's net position changed during the most recent fiscal year. Changes in net position are reported when 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 will only result in cash flows in future fiscal periods, such as expenses related to accrued interest.

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 Corporation, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

The Corporation maintains one governmental Debt Service Fund. Information is presented on the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Corporation does not adopt an annual appropriated budget for its revenues and expenditures. The debt service payments are budgeted as part of the City's annual budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as useful indicators of a Corporation's financial position. The total assets and deferred outflows of resources were equal to total liabilities, resulting in an ending fund balance for the close of the most recent fiscal year of \$0 (net position).

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets	\$ 407,112,054	\$ 443,328,975
Deferred Outflows of Resources	11,946,742	13,360,993
Total Assets and Deferred Outflows of Resources	<u>\$ 419,058,796</u>	<u>\$ 456,689,968</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Long-Term Liabilities Outstanding	\$ 376,592,832	\$ 415,239,132
Other Liabilities	42,465,964	41,450,836
Total Liabilities	<u>419,058,796</u>	<u>456,689,968</u>
NET POSITION		
Restricted for Debt Service	-	-
Total Net Position	<u>\$ -</u>	<u>\$ -</u>

Over the fiscal year, the Corporation's total net position did not change. Total revenue decreased by \$872,594 as a result of lower lease payments. Total expenses decreased by \$1,048,793 primarily due to lower debt payments.

Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
REVENUES		
Lease Payments	\$ 11,767,758	\$ 12,647,925
Investment Income	15,021	7,448
Total Revenues	<u>11,782,779</u>	<u>12,655,373</u>
EXPENSES		
Interest and Fiscal Charges	11,782,779	12,831,572
Total Expenses	<u>11,782,779</u>	<u>12,831,572</u>
Increase\ (Decrease) in Net Position	-	(176,199)
Net Position, Beginning of Year	-	176,199
Net Position, End of Year	<u>\$ -</u>	<u>\$ -</u>

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Financial Analysis of the Corporation's Funds

The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Corporation's ability to pay the debt service on the bonds it issues to fund construction or acquisition of public infrastructure.

As of June 30, 2024, the Corporation's governmental funds reported combined ending fund balances of \$0.

Debt Administration

The total net Excise Revenue Debt at June 30, 2024 was \$376,592,832. The Corporation's total long-term debt decreased by \$38,646,300 during the current fiscal year due to the payment of principal on outstanding debt and amortization of deferred amounts.

Outstanding Debt

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Excise Revenue Bonds	<u>\$ 376,592,832</u>	<u>\$ 415,239,132</u>

Economic Factors

The City's long-term financial plan considers the uncertainty of the economy and takes a cautious approach.

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances for all of those with an interest. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2024

	Debt Service Fund	Total Governmental Funds	Adjustments (see Note 2.A.)	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Restricted Cash and Short-term Investments	\$ 42,465,964	\$ 42,465,964	\$ -	\$ 42,465,964
Amount Due from City of Scottsdale	364,646,090	364,646,090	-	364,646,090
Total Assets	<u>\$ 407,112,054</u>	<u>\$ 407,112,054</u>	<u>\$ -</u>	<u>\$ 407,112,054</u>
Deferred Outflows of Resources				
Deferred Amounts on Refunding			11,946,742	11,946,742
Total Assets and Deferred Outflows of Resources			<u>\$ 11,946,742</u>	<u>\$ 419,058,796</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION				
Liabilities				
Accounts Payable	\$ 610	\$ 610	\$ -	\$ 610
Bond Interest Payable	6,530,354	6,530,354	-	6,530,354
Matured Bonds Payable	35,935,000	35,935,000	-	35,935,000
Long-term Liabilities				
Due Within One Year	-	-	31,895,000	31,895,000
Due After One Year	-	-	344,697,832	344,697,832
Total Liabilities	<u>42,465,964</u>	<u>42,465,964</u>	<u>376,592,832</u>	<u>419,058,796</u>
Deferred Inflows of Resources				
Unavailable Revenue	364,646,090	364,646,090	(364,646,090)	-
Fund Balances				
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 407,112,054</u>	<u>\$ 407,112,054</u>		
Net Position			<u>\$ -</u>	<u>\$ -</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2024

	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments (see Note 2.B.)</u>	<u>Statement of Activities</u>
REVENUES				
Lease Payments Received from the City of Scottsdale	\$ 48,999,807	\$ 48,999,807	\$ (37,232,049)	\$ 11,767,758
Investment Income	15,021	15,021	-	15,021
 Total Revenues	 49,014,828	 49,014,828	 (37,232,049)	 11,782,779
EXPENDITURES/EXPENSES				
Current				
Debt Service				
Principal	35,935,000	35,935,000	(35,935,000)	-
Interest and Fiscal Charges	13,079,828	13,079,828	(1,297,049)	11,782,779
 Total Expenditures	 49,014,828	 49,014,828	 (37,232,049)	 11,782,779
 Excess (Deficiency) of Revenues over Expenditures	 -	 -	 -	 -
 Net change in Fund Balances	 -	 -	 -	 -
Fund Balance/Net Position, Beginning of Year	-	-	-	-
Fund Balances/Net Position, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Scottsdale Municipal Property Corporation (Corporation) a component unit of the City of Scottsdale, Arizona (City) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the Corporation follows.

A. Reporting Entity

The City of Scottsdale Municipal Property Corporation, a nonprofit corporation, was incorporated in February 1967 under the laws of the State of Arizona, for the purpose of constructing or otherwise acquiring or equipping buildings, structures or improvements on land owned by the City of Scottsdale, Arizona for the benefit, common good and general welfare of the City and its inhabitants. Upon dissolution, any remaining assets are to be distributed to the City. The Corporation is governed by a Board of Directors approved by the City. For financial reporting purposes, transactions of the Corporation are included as if the Corporation were part of the City's operations.

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 Corporation. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on rates, fees and charges for support. The Corporation had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustment column to arrive at government-wide financial statement amounts.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the Corporation 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease payments from the City and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Corporation.

The Corporation reports the following major governmental funds:

- The *Debt Service Fund* accounts for the resources accumulated and used for the payment of long-term debt including principal, interest and related costs.

When both restricted and unrestricted funds are available for use, it is the Corporation's policy to use restricted funds first, and then unrestricted funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the Corporation to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories, bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government, or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance. This policy is in compliance with the Corporation's by-laws and trust agreements.

Cash and investments held by a trustee at June 30, 2024, plus accrued interest, are restricted as to usage.

The Corporation's deposits at June 30, 2024 were collateralized with securities held by the pledging financial institution's trust department or agency in the Corporation's name.

2. Capital Assets

Capital assets acquired or constructed by the Corporation are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the Corporation owns no capital assets.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Long-term Obligations

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Corporation has only one item that qualifies for reporting in this category. It is the deferred amount on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of, the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

5. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors has not authorized anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. The Corporation has not formally adopted a spending priority policy and therefore use the spending priority indicated in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, GASB 54 indicates to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, GASB 54 indicates to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted net position and unrestricted net position. Restricted net position accounts for the portion of net position restricted by bond covenants. Unrestricted net position is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts Reported in the Statement of Net Position are Different Because:

Amounts due from the City of Scottsdale for retirement of debt are long-term in nature and are deferred inflows in the governmental funds.

Prior Year Receivable	\$	401,878,139	
Debt Service Payments Made		(35,935,000)	
Amortization Amount on Refunding		1,414,251	
Amortization of Premium on Existing Bonds		<u>(2,711,300)</u>	\$ 364,646,090

Long-term liabilities applicable to the Corporation's governmental activities are not due and payable in the current period and accordingly are not reported as fund payables in the governmental funds.

Bonds Payable		(358,055,000)	
Deferred Issuance Premium		<u>(18,537,832)</u>	(376,592,832)

Deferred Amount on Refunding are long-term in nature and are not reported as deferred outflows of resources in the governmental funds.

	<u>11,946,742</u>		<u>11,946,742</u>
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Net adjustment to reduce total fund balance in the governmental funds to arrive at net position.

-

Total Fund Balances

-

Total Net Position

\$ -

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Amounts Reported in the Statement of Activities are Different Because:

Contractual agreement provides for repayment of debt by the City to the Corporation; thus, in the statement of activities revenues are recorded at the inception of the agreement rather than as received. Revenues recognized in the fund statements are those that provide current financial resources. Changes in the total debt outstanding will result in adjustments to the revenue in the statement of activities.

Debt Service Payments Made	\$ (35,935,000)	
Amortization Amount on Refunding	1,414,251	
Amortization of Premium on Existing Bonds	<u>(2,711,300)</u>	\$ (37,232,049)

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 payable and additional interest expense was recognized on the amortization of amount on refunding and premiums which are expended within the funds statements.

Amortization of Deferred Amount on Refunding Bonds	(1,414,251)	
Amortization of Premium on Existing Bonds	<u>2,711,300</u>	1,297,049

Repayment of bond principal is reported as an expenditure in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the statement of activities, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal Payments Made	<u>35,935,000</u>	35,935,000
-------------------------	-------------------	------------

Net Adjustment To Reduce Net Change In Fund Balances To Arrive At Net Change In Net Position

Net Change In Fund Balances		<u>-</u>
Net Change In Net Position		<u>\$ -</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Corporation does not adopt an annual appropriation budget. However, debt service payments are budgeted as part of the City's annual budget.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

Deposits and Investments

Deposits – At June 30, 2024, the Corporation's deposits consisted of the following:

	<u>Fair Value</u>
Short-Term Investments	<u>\$ 42,465,355</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. As of June 30, 2024, \$41,965,355 of the Corporation's deposits was uninsured and collateralized by securities held by the pledging bank's trust department not in the Corporation's name, and therefore exposed to custodial credit risk.

B. Liabilities

Obligations Under Long-term Debt

The Corporation issues 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. The following bonds, or portions thereof, are paid out of the City's Water and Sewer Fund:

- a portion of the 2006 MPC Excise Tax Revenue Refunding Bonds,
- the 2015 MPC Excise Tax Revenue Refunding Bonds,
- a portion of the 2015A MPC Excise Tax Revenue Bonds,
- the 2017 MPC Excise Tax Revenue Refunding Bonds,
- the 2017A MPC Excise Tax Revenue Bonds,
- the 2021A MPC Excise Tax Revenue Refunding Bonds,
- a portion of the 2021B MPC Taxable Refunding Bonds.

The 2017B MPC Excise Tax Revenue Bonds are paid out of the City's Aviation Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

In a prior year, the Corporation refinanced bond issues through the issuance of refunding bonds. The proceeds from the issuance of the bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Corporation's financial statements.

<u>Refunded in Prior Years</u>	
2015A MPC Excise Tax Revenue Bonds	\$ 1,725,000
2015 MPC Excise Tax Revenue Refunding Bonds	36,435,000
2017 MPC Excise Tax Revenue Refunding Bonds	<u>38,350,000</u>
	<u>\$ 76,510,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Bonds payable at June 30, 2024 consisted of the outstanding bonds presented below:

Classified in Debt Service Fund - General Government Purposes Municipal Property Corporation Bonds	<u>Bonds Outstanding</u>
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 35,040,000
2014 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued May 29, 2014) due in annual installments of \$1,730,000 to \$3,040,000 through July 1, 2027; interest at 1.75 percent to 5 percent. Original issue amount \$22,735,000.	7,125,000
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$685,000 due in 2027 was refunded. Original issue amount \$12,200,000.	6,795,000
2015A Municipal Property Corporation Taxable Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	8,690,000
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	7,735,000
2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000.	26,640,000
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$330,000 to \$9,410,000 through July 1, 2035; interest at 0.14 percent to 1.91 percent. Original issue amount \$71,325,000.	<u>61,490,000</u>
Total Municipal Property Corporation Bonds Outstanding-General Government	<u>\$ 153,515,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Classified in Debt Service Fund - Water and Sewer Purposes
Municipal Property Corporation Bonds

	<u>Bonds Outstanding</u>
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.	\$ 32,995,000
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$1,040,000 due in 2027 was refunded. Original issue amount \$18,485,000.	10,295,000
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. On February 17, 2021, \$11,257,479 due 2027 through 2028 was refunded. Original issue amount \$46,811,731.	10,140,000
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. On February 17, 2021, \$38,350,000 due 2031 through 2033 and 2035 through 2036 was defeased. Original issue amount \$79,970,000.	37,340,000
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	29,155,000
2021A Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in a single installment of \$7,920,000 on July 1, 2030; interest at 5 percent. Original issue amount \$7,920,000.	7,920,000
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$145,000 to \$12,750,000 through July 1, 2036; interest at 0.14 percent to 1.96 percent. Original issue amount \$63,860,000.	<u>59,095,000</u>
Total Municipal Property Corporation Bonds Outstanding-Water and Sewer	<u>\$ 186,940,000</u>
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	<u>17,600,000</u>
Total Municipal Property Corporation Bonds Outstanding-Aviation	<u>\$ 17,600,000</u>
Total bonds outstanding	<u><u>\$ 358,055,000</u></u>

The bonds may be redeemed in whole or in part on any interest payment date, at redemption prices reflecting a premium above par, plus accrued interest to the date of redemptions.

The City is obligated under contracts to pay the Corporation amounts sufficient to retire the Corporation's bonds and related interest in exchange for the assets acquired or constructed in connection with the issuance of bonds. The City has collateralized the bonds of the Corporation by (1) a first lien pledge of all excise, transaction privilege, and franchise taxes collected by the City, except those taxes required by law to be expended for specific purposes, and (2) a pledge of all net revenue derived by the City from the facilities constructed or acquired with the bonds proceeds. The Corporation retains legal title to the properties until the amounts due from the City are paid in full. The City has the sole right to the use of the facilities and is responsible for all operating and maintenance costs.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The contract lease agreements mentioned above are, in substance, long-term sales contracts for an amount equal to the Corporation's bonded debt and interest thereon. Accordingly, the accompanying balance sheet reflects a receivable from the City the present value of the amounts due thereunder, which corresponds to the principal portion plus premium and deferred amount on refunding of the bonded debt payable.

The City has pledged to maintain three-times the debt service, as security for bonds issued by the Corporation. The City has committed to make lease payments to the Corporation each year sufficient to cover the principal and interest requirements on the Corporation's bonds. The Corporation has pledged, as sole security for the bonds, the annual lease payments from the City. Total principal and interest remaining on the debt is \$423,537,154.

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

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5 – CHANGES IN LONG TERM DEBT

A. Summary of Changes

The Corporation made principal payments of \$35,935,000 amortized deferred issuance premiums of \$2,711,300 and deferred amount on refundings of \$1,414,251 during the current fiscal year.

The following is a summary of changes in long-term debt:

	Municipal	Deferred	Long Term
Beginning Balances	\$ 393,990,000	\$ 21,249,132	\$ 415,239,132
Decreases:			
Existing Bonds	(35,935,000)	(2,711,300)	(38,646,300)
Ending Balances	<u>\$ 358,055,000</u>	<u>\$ 18,537,832</u>	<u>\$ 376,592,832</u>
Amounts Due Within One Year	\$ 31,895,000		
Amounts Due in More than One Year	\$ 326,160,000		

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5 – CHANGES IN LONG TERM DEBT (CONTINUED)

The following is a summary of annual debt service requirements to maturity as of June 30, 2024:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 31,895,000	\$ 11,638,486	\$ 43,533,486
2026	33,460,000	10,384,897	43,844,897
2027	35,145,000	9,092,992	44,237,992
2028	36,895,000	7,985,581	44,880,581
2029	35,235,000	6,829,307	42,064,307
2030-2034	143,085,000	17,029,574	160,114,574
2035-2039	42,340,000	2,521,317	44,861,317
Total	<u>\$ 358,055,000</u>	<u>\$ 65,482,154</u>	<u>\$ 423,537,154</u>

NOTE 6 – OTHER INFORMATION

A. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Corporation does not have separate insurance coverage but is included under the City of Scottsdale, Arizona's self-insured risk management program. 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 City's Annual Comprehensive Financial Report, Note V.A.

B. Notice of Event

In July 2024, the MPC Board approved the redemption in advance of maturity the remaining \$7,125,000 of the City of Scottsdale Municipal Property Corporation Excise Tax Revenue Refunding Bonds, Series 2014. The bonds were redeemed in August of 2024.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Directors
City of Scottsdale Municipal Property Corporation

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of City of Scottsdale Municipal Property Corporation, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Scottsdale Municipal Property Corporation’s basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale Municipal Property Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale Municipal Property Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 4A -
MPC
Communication to Governance

October 30, 2024

To the Board of Directors
City of Scottsdale Municipal Property Corporation

We have audited the financial statements of governmental activities and each major fund of City of Scottsdale Municipal Property Corporation (Corporation), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale Municipal Property Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined

as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the Corporation's auditors.

Other Matters

As discussed in Note 1, the financial statements of the Municipal Property Corporation are intended to present the net position and changes in net position that are attributable to the Corporation, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of City of Scottsdale Municipal Property Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Sonia Andrews, City Treasurer/CFO

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: *Lai Cluff*

Date: 04/30/2024

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

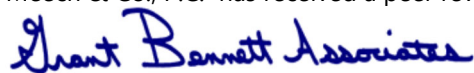
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

email

Signed Checksum

3eceb39a9a4ce6b1a620a0709c324f621fdd3d65b27eae0e3a46643aa5e248b

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
04/30/2024 09:21 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY24_Scottsdale_City.pdf' on Chrome via Windows from 76.134.178.164.
04/30/2024 09:21 MST	Lai Cluff (lcluff@scottsdaleaz.gov) was emailed a link to sign.
04/30/2024 09:34 MST	Lai Cluff (lcluff@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

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FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of City of Scottsdale Municipal Property Corporation (Corporation), a component unit of the City of Scottsdale, Arizona, which comprise the respective financial position of the governmental activities and the major fund, as of June 30, 2024, and the respective changes in financial position for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the Corporation is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the Corporation and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. If applicable, investments are properly valued.
37. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Special and extraordinary items, if any, are appropriately classified and reported.

42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. We have appropriately disclosed the Corporation's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor a communication to those charged with governance that will include a copy of this representation letter and the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant CFO
City of Scottsdale, Arizona

SIGNATURE CERTIFICATE



REFERENCE NUMBER

753EF1BF-F5E8-4602-98CA-27DB65B52F94

TRANSACTION DETAILS

Reference Number

753EF1BF-F5E8-4602-98CA-27DB65B52F94

Transaction Type

Signature Request

Sent At

10/28/2024 19:19 EDT

Executed At

10/29/2024 19:31 EDT

Identity Method

email

Distribution Method

email

Signed Checksum

73984e9bf8d840d807483a58210a5cefd8e99fc6386fc5f02bb04045707134b9

Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Letters City of Scottsdale Component Units 2024

Filename

General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf

Pages

29 pages

Content Type

application/pdf

File Size

317 KB

Original Checksum

4437eaf055dad93544b80e27da124e79d675b5ffb2530716ff247513c2e2bd8c

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Sonia Andrews</p> <p>Email sandrews@scottsdaleaz.gov</p> <p>Signer Sequence 1</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 21dd6abcf5c70018abf2d101cfdaf9a587b7d6cbdcfe3d61182b81e8ef15d69</p> <p>IP Address 192.206.21.8</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 51F86303</p>	<p>Viewed At 10/29/2024 19:29 EDT</p> <p>Identity Authenticated At 10/29/2024 19:31 EDT</p> <p>Signed At 10/29/2024 19:31 EDT</p>
<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum b056f91a0b9540cb697426f2ef9308cb9aa9ba09596b61d14ad91cfd14a85d88</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 0440C58F</p>	<p>Viewed At 10/29/2024 13:46 EDT</p> <p>Identity Authenticated At 10/29/2024 13:50 EDT</p> <p>Signed At 10/29/2024 13:50 EDT</p>

AUDITS

TIMESTAMP	AUDIT
10/28/2024 13:30 EDT	Jared Young (jared.young@hm.cpa) created document 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 54.144.112.110.
10/28/2024 13:30 EDT	Sonia Andrews (sandrews@scottsdale.gov) was emailed a link to sign.
10/28/2024 13:30 EDT	Anna Henthorn (ahenthorn@scottsdale.gov) was emailed a link to sign.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'sandrews@scottsdale.gov' to 'sandrews@scottsdaleaz.gov'.

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10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified signer email/name for 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 35.169.110.255.
10/28/2024 15:34 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 15:35 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 15:35 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 16:02 EDT	Jared Young (jared.young@hm.cpa) initiated revision on Chrome via Windows from 54.144.112.110.
10/28/2024 16:03 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 16:03 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 16:03 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 17:12 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a reminder.
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10/28/2024 19:19 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 19:19 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
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Attachment 4B -
MPC

Report on Internal Control over
Financial Reporting and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
City of Scottsdale Municipal Property Corporation

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of City of Scottsdale Municipal Property Corporation, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Scottsdale Municipal Property Corporation's basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale Municipal Property Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale Municipal Property Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 5 -
Via Linda Road CFD
Annual Financial Report

Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2024

Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2024

Via Linda Road Community Facilities District

For the Fiscal Year ended June 30, 2024

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Independent Auditor's Report

Board of Directors
Via Linda Road Community Facilities District

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Via Linda Road Community Facilities District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Via Linda Road Community Facilities District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Via Linda Road Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of Via Linda Road Community Facilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Via Linda Road Community Facilities District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Via Linda Road Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

As management of the Via Linda Road Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2024.

Formed in 1998, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2023/24, the District's:

- Earned interest and beginning fund balances were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of \$5,460.
- Governmental fund expenditures were more than revenues by \$71,484.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when 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 will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District maintains one general governmental fund. The General fund for the District is unassigned and therefore not restricted for a specific purpose. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

The District adopts an annual budget for its General Fund. A supplementary budgetary schedule has been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,460 (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City.

Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
ASSETS		
Current Assets	\$ 65,346	\$ 81,439
Noncurrent Assets	-	212,730
Total Assets	65,346	294,169
LIABILITIES		
Current Liabilities	59,886	212,730
Total Liabilities	59,886	212,730
NET POSITION		
Unrestricted	5,460	81,439
Total Net Position	\$ 5,460	\$ 81,439

During the fiscal year, the District's total net position decreased by \$75,979.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
REVENUES		
Taxes	\$ -	\$ 268,704
Interest	807	166
Total Revenues	807	268,870
EXPENSES		
General Government	76,786	11,161
Debt Service	-	5,460
Total Expenses	76,786	16,621
Change in Net Position	(75,979)	252,249
Net Position, Beginning of Year	81,439	(170,810)
Net Position, End of Year	\$ 5,460	\$ 81,439

Revenues decreased in fiscal year 2023/24 due to a decrease in taxes collected and expenses increased, decreasing the District's net position.

On April 5, 2024 the District received notification of a class action lawsuit against Maricopa County for the Qasimyar Settlement, which resulted in a recalculation of property tax. As a result of the lawsuit, Arizona cities and districts were provided with the amounts that were due back to the property owners which included the refunds of taxes as well as the legally accrued interest. The District's total liability provided by Maricopa County is \$59,886 and is included in the General Government expenses. All refunds are expected to be completed in fiscal year 2025.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending.

As of the end of fiscal year 2023/24 the District's governmental funds reported expenditures more than revenues by \$71,484 and an ending fund balance of \$5,460. The entire fund balance is unassigned. The governmental funds also recognized \$59,886 of expenditures under Other General Government for the Maricopa County Qasimyar Settlement. The District does not have taxing authority and is seeking resolution with Maricopa County.

Revenues totaled \$5,302 for the fiscal year ended June 30, 2024.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct an extension of Via Linda Road eastward and the development of trailheads.

The District has issued \$3,225,000 of the \$3,500,000 authorized bonds. In fiscal year 2012/13, the City Council and the District Board approved the issuance of \$2,000,000 refunding bonds to reduce the total debt service payments over the next 11 years. All outstanding bonds were paid in full as of June 30, 2023.

Next Year's Budget and Rates

The District will not levy taxes since all debt has been satisfied. The fiscal year 2024/25 budget includes estimated ongoing expenses until the District is dissolved.

Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2023, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
 June 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Current Assets			
Cash	\$ 65,346	\$ -	\$ 65,346
Total Assets	<u>\$ 65,346</u>	<u>\$ -</u>	<u>\$ 65,346</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION			
Liabilities			
Due to Other Governments	\$ 59,886	\$ -	\$ 59,886
Total Liabilities	<u>59,886</u>	<u>-</u>	<u>59,886</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	5,460	(5,460)	-
Total Fund Balances	<u>5,460</u>	<u>(5,460)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 65,346</u>		
Net Position			
Unrestricted		5,460	5,460
Total Net Position		<u>\$ 5,460</u>	<u>\$ 5,460</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Taxes	\$ 4,495	\$ (4,495)	\$ -
Interest	807	-	807
Total Revenues	<u>5,302</u>	<u>(4,495)</u>	<u>807</u>
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer's Office	\$ 11,761	\$ -	\$ 11,761
Other General Government	65,025	-	65,025
Total Expenditures/Expenses	<u>76,786</u>	<u>-</u>	<u>76,786</u>
Change in Fund Balances/Net Position	(71,484)	(4,495)	(75,979)
Fund Balances/Net Position, Beginning of Year	<u>76,944</u>	<u>4,495</u>	<u>81,439</u>
Fund Balances/Net Position, End of Year	<u>\$ 5,460</u>	<u>\$ -</u>	<u>\$ 5,460</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The Via Linda Road Community Facilities District was formed by petition to the City of Scottsdale City Council in April 1998. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Via Linda Road Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any unassigned, nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2024, plus accrued interest, are restricted as to usage.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

3. Long-term Obligations

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

5. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported as unrestricted.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Amounts reported in the statement of net position are the same.
- B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ (4,495)
Net adjustments to reconcile net changes in fund balances to change in net position.	(4,495)
Net change in Fund Balance	<u>(71,484)</u>
Change in Net Position	<u><u>\$ (75,979)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2024, the carrying amount of the District’s deposits and bank balance were \$65,346.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2024, the District had no deposits that were exposed to custodial credit risk.

2. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. A lien assessed against real property attaches on the first day of January preceding the assessment levy.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

The District has no property tax receivables outstanding as determined from the records of the County Treasurer's Office, and at June 30, 2024.

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. General obligation bonds were issued for governmental activities only. All bonds have been paid in full.

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's full cash valuation.

Changes in Long-term Liabilities

Since all debt service obligations were satisfied on June 30, 2023, there were no changes in Long-term Liabilities.

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2023, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ -	\$ 4,495	\$ 4,495
Interest Income	-	807	807
Total Revenues	<u>-</u>	<u>5,302</u>	<u>5,302</u>
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	78,487	11,761	66,726
Other General Government	-	65,025	-
Total Expenditures	<u>78,487</u>	<u>76,786</u>	<u>66,726</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,487)</u>	<u>(71,484)</u>	<u>72,028</u>
Net Change in Fund Balance	<u>\$ (78,487)</u>	<u>\$ (71,484)</u>	<u>\$ 72,028</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Directors
Via Linda Road Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Via Linda Road Community Facilities District’s basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Linda Road Community Facilities District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Linda Road Community Facilities District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Via Linda Road Community Facilities District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Via Linda Road Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 5A -
Via Linda Road CFD
Communication to Governance

October 30, 2024

Board of Directors
Via Linda Road Community Facilities District

We have audited the financial statements governmental activities and each major fund of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Via Linda Road Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial

statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

Other Matters

As discussed in Note 1, the financial statements of the Via Linda Road Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of Via Linda Road Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Sonia Andrews, City Treasurer/CFO

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: *Lai Cluff*

Date: 04/30/2024

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

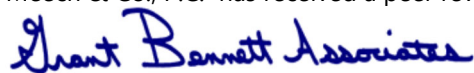
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

email

Signed Checksum

3eceb39a9a4ce6b1a620a0709c324f621fdd3d65b27eae0e3a46643aa5e248b

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
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04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

PHONE 480-312-2437
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Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, which comprise the respective financial position of the governmental activities and the major fund, as of June 30, 2024, and the respective changes in financial position for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. If applicable, investments are properly valued.
37. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Special and extraordinary items, if any, are appropriately classified and reported.

42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the supplementary budget comparison information presented for the Debt Service Fund.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer, Assistant CFO
City of Scottsdale, Arizona

SIGNATURE CERTIFICATE



REFERENCE NUMBER

753EF1BF-F5E8-4602-98CA-27DB65B52F94

TRANSACTION DETAILS

Reference Number

753EF1BF-F5E8-4602-98CA-27DB65B52F94

Transaction Type

Signature Request

Sent At

10/28/2024 19:19 EDT

Executed At

10/29/2024 19:31 EDT

Identity Method

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73984e9bf8d840d807483a58210a5cefd8e99fc6386fc5f02bb04045707134b9

Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Letters City of Scottsdale Component Units 2024

Filename

General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf

Pages

29 pages

Content Type

application/pdf

File Size

317 KB

Original Checksum

4437eaf055dad93544b80e27da124e79d675b5ffb2530716ff247513c2e2bd8c

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Sonia Andrews</p> <p>Email sandrews@scottsdaleaz.gov</p> <p>Signer Sequence 1</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 21dd6abcf5c70018abf2d101cfdaf9a587b7d6cbdcfe3d61182b81e8ef15d69</p> <p>IP Address 192.206.21.8</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 51F86303</p>	<p>Viewed At 10/29/2024 19:29 EDT</p> <p>Identity Authenticated At 10/29/2024 19:31 EDT</p> <p>Signed At 10/29/2024 19:31 EDT</p>
<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum b056f91a0b9540cb697426f2ef9308cb9aa9ba09596b61d14ad91cfd14a85d88</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 0440C58F</p>	<p>Viewed At 10/29/2024 13:46 EDT</p> <p>Identity Authenticated At 10/29/2024 13:50 EDT</p> <p>Signed At 10/29/2024 13:50 EDT</p>

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10/28/2024 13:30 EDT	Sonia Andrews (sandrews@scottsdale.gov) was emailed a link to sign.
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10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'ahenthorn@scottsdale.gov' to 'ahenthorn@scottsdaleaz.gov'.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified signer email/name for 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 35.169.110.255.
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10/28/2024 16:03 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
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Attachment 5B -
Via Linda Road CFD
Report on Internal Control over
Financial Reporting and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Via Linda Road Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Via Linda Road Community Facilities District's basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Linda Road Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Via Linda Road Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Scottsdale, Arizona

October 29, 2024

Attachment 6 - Waterfront
Commercial CFD Annual
Financial Report

Waterfront Commercial Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report

Fiscal Year Ended June 30, 2024

Waterfront Commercial Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2024

Waterfront Commercial Community Facilities District

For the Fiscal Year ended June 30, 2024

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Independent Auditor's Report

Board of Directors
Waterfront Commercial Community Facilities District

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Waterfront Commercial Community Facilities District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Waterfront Commercial Community Facilities District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Waterfront Commercial Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Supplementary Budget information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Budget information for the Debt Service Fund information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of Waterfront Commercial Community Facilities District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterfront Commercial Community Facilities District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterfront Commercial Community Facilities District’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

As management of the Waterfront Commercial Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2024.

Formed in 2005, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2023/24, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- The tax rate was \$4.42 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$35,428. Of this amount, \$6,786 was in the General Fund and \$28,642 was in the Debt Service Fund.
- Governmental fund expenditures were more than revenues by \$9,962; the tax rate increased from \$4.00 in fiscal year 2022/2023 to \$4.42.
- Total long-term debt decreased by \$185,000 due to scheduled principal payments.
- Bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when 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 will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Debt Service Funds are restricted for payment of debt and debt related costs, and the General Fund is unassigned.

The District maintains two governmental funds, General and Debt Service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by approximately \$1.6 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
ASSETS		
Current Assets	\$ 7,093	\$ 9,912
Noncurrent Assets	236,138	242,097
Total Assets	243,231	252,009
LIABILITIES		
Current Liabilities	207,761	205,996
Noncurrent Liabilities	1,658,000	1,843,000
Total Liabilities	1,865,761	2,048,996
NET POSITION		
Restricted	28,684	36,751
Unrestricted	(1,651,214)	(1,833,738)
Total Net Position	\$ (1,622,530)	\$ (1,796,987)

During the fiscal year, the District's total net position increased by \$174,457.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
REVENUES		
Taxes	\$ 232,165	\$ 206,814
Total Revenues	232,165	206,814
EXPENSES		
General Government	11,786	11,186
Debt Service	45,922	50,393
Total Expenses	57,708	61,579
Change in Net Position	174,457	145,235
Net Position, Beginning of Year	(1,796,987)	(1,942,222)
Net Position, End of Year	\$ (1,622,530)	\$ (1,796,987)

Revenues increased in fiscal year 2023/24 due to an increase in taxes levied and expenses decreased due to reduction of interest on long-term debt, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2023/24 the District's governmental funds reported expenditures over revenues by \$9,962 and an ending fund balance of \$35,428. Of the total ending fund balance, \$6,786 is in the General Fund and \$28,642 is in the Debt Service Fund.

Revenues totaled \$232,746 for the fiscal year ended June 30, 2024, of which all was property taxes.

Management’s Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct public amenities including retail space and permanent parking easement.

The District has issued \$3,805,000 of the \$9,000,000 authorized bonds. In fiscal year 2019/20, the City Council and the District Board approved the issuance of \$2,563,000 in refunding bonds to reduce the total debt service payments over the remaining life of the bonds.

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
General Obligation Bonds	<u>\$ 1,658,000</u>	<u>\$ 1,843,000</u>

The District’s total long-term debt decreased by \$185,000 during the current fiscal year due to the payment of principal on the general obligation refunding bonds.

Next Year’s Budget and Rates

The fiscal year 2024/25 District budget includes a \$4.59 tax rate per \$100 of assessed value. This is a \$.16 increase from the rate used in the fiscal year 2023/24 budget. The District’s long-term financial plan considers the uncertainty of the economy and takes a cautious approach.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all of those with an interest in the government’s finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer’s Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Current Assets					
Cash	\$ 6,775	\$ -	\$ 6,775	\$ -	\$ 6,775
Taxes Receivable	11	307	318	-	318
Total Current Assets	6,786	307	7,093	-	7,093
Noncurrent Assets					
Restricted Cash	-	236,138	236,138	-	236,138
Total Assets	<u>\$ 6,786</u>	<u>\$ 236,445</u>	<u>\$ 243,231</u>	<u>\$ -</u>	<u>\$ 243,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 185,000	\$ 185,000	\$ -	\$ 185,000
Bond Interest Payable	-	22,761	22,761	-	22,761
Total Current Liabilities	-	207,761	207,761	-	207,761
Noncurrent Liabilities					
Due Within One Year	-	-	-	190,000	190,000
Due After One Year	-	-	-	1,468,000	1,468,000
Total Noncurrent Liabilities	-	-	-	1,658,000	1,658,000
Total Liabilities	-	207,761	207,761	1,658,000	1,865,761
Deferred Inflows of Resources					
Unavailable Revenues	-	42	42	(42)	-
Total Liabilities and Deferred Inflows of Resources	-	207,803	207,803	1,657,958	1,865,761
Fund Balances/Net Position					
Fund Balances					
Restricted	-	28,642	28,642	(28,642)	-
Unassigned	6,786	-	6,786	(6,786)	-
Total Fund Balances	6,786	28,642	35,428	(35,428)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,786</u>	<u>\$ 236,445</u>	<u>\$ 243,231</u>		
Net Position					
Restricted for Debt Service				28,684	28,684
Unrestricted				(1,651,214)	(1,651,214)
Total Net Position				<u>\$ (1,622,530)</u>	<u>\$ (1,622,530)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES					
Taxes	\$ 9,310	\$ 223,436	\$ 232,746	\$ (581)	\$ 232,165
Total Revenues	<u>9,310</u>	<u>223,436</u>	<u>232,746</u>	<u>(581)</u>	<u>232,165</u>
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer's Office	\$ 11,786	\$ -	\$ 11,786	\$ -	\$ 11,786
Debt Service					
Principal Retirement	-	185,000	185,000	(185,000)	-
Interest and Fiscal Charges	-	45,922	45,922	-	45,922
Total Expenditures/Expenses	<u>11,786</u>	<u>230,922</u>	<u>242,708</u>	<u>(185,000)</u>	<u>57,708</u>
Change in Fund Balances/Net Position	(2,476)	(7,486)	(9,962)	184,419	174,457
Fund Balances/Net Position, Beginning of Year	<u>9,262</u>	<u>36,128</u>	<u>45,390</u>	<u>(1,842,377)</u>	<u>(1,796,987)</u>
Fund Balances/Net Position, End of Year	<u>\$ 6,786</u>	<u>\$ 28,642</u>	<u>\$ 35,428</u>	<u>\$ (1,657,958)</u>	<u>\$ (1,622,530)</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The Waterfront Commercial Community Facilities District was formed by petition to the City of Scottsdale City Council in September 2005. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Waterfront Commercial Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District has unassigned funds and does not have any nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

A portion of cash and investments held by trustee at June 30, 2024, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 42
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.	(1,658,000)
	<hr/>
Net adjustment to total fund balance to arrive at net position.	(1,657,958)
	<hr/>
Total Fund Balance	35,428
	<hr/>
Total Net Position	\$ (1,622,530)
	<hr/> <hr/>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ (581)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	185,000
	<hr/>
Net adjustments to reconcile net changes in fund balances to change in net position.	184,419
	<hr/>
Net change in Fund Balance	(9,962)
	<hr/>
Change in Net Position	\$ 174,457
	<hr/> <hr/>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2024, the carrying amount of the District’s deposits and bank balance were \$242,913.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2024, the District’s deposits were fully insured.

2. Restricted Assets

Restricted cash at June 30, 2024, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 236,138</u>

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2024, were as follows:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

	General Fund	Debt Service Fund
Taxes Receivable	\$ 11	\$ 307

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Unavailable Property Taxes Receivable	\$ 42

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually. Bonds payable at June 30, 2024, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rate (%)	Amount
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 beginning July 15, 2020 through July 15, 2032. Original issue amount \$2,563,000.	2.60	\$ 1,658,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s full cash valuation.

The District’s bond issuance contains the following provisions that would constitute an event of default by the District:

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

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

Changes in Long-Term Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Private Placement General Obligation Bonds	\$ 1,843,000	\$ -	\$ (185,000)	\$ 1,658,000	\$ 190,000
Total	<u>\$ 1,843,000</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ 1,658,000</u>	<u>\$ 190,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 190,000	\$ 40,953
2026	195,000	36,260
2027	200,000	31,443
2028	204,000	26,503
2029	209,000	21,464
2030-2032	660,000	32,851
Total	<u>\$ 1,658,000</u>	<u>\$ 189,474</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

B. Concentration Information

The District has one major taxpayer that accounts for approximately fifty percent of full cash valuation. Delinquent payments by this taxpayer could result in a significant loss of revenue.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 12,127	\$ 9,310	\$ (2,817)
Total Revenues	<u>12,127</u>	<u>9,310</u>	<u>(2,817)</u>
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	12,100	11,786	314
Total Expenditures	<u>12,100</u>	<u>11,786</u>	<u>314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27</u>	<u>(2,476)</u>	<u>(2,503)</u>
Net Change in Fund Balance	<u>\$ 27</u>	<u>\$ (2,476)</u>	<u>\$ (2,503)</u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 220,364	\$ 223,436	\$ 3,072
Total Revenues	220,364	223,436	3,072
EXPENDITURES			
Debt Service			
Principal Retirement	185,000	185,000	-
Interest and Fiscal Charges	47,522	45,922	1,600
Total Expenditures	232,522	230,922	1,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,158)	(7,486)	4,672
Net Change in Fund Balance	<u>\$ (12,158)</u>	<u>\$ (7,486)</u>	<u>\$ 4,672</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Waterfront Commercial Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Waterfront Commercial Community Facilities District’s basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterfront Commercial Community Facilities District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterfront Commercial Community Facilities District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Waterfront Commercial Community Facilities District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterfront Commercial Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

Attachment 6A – Waterfront
Commercial CFD
Communication to Governance

October 30, 2024

To the Governing Board
Waterfront Commercial Community Facilities District

We have audited the financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Waterfront Commercial Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined

as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

Other Matters

As discussed in Note 1, the financial statements of the Waterfront Commercial Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2024 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of Waterfront Commercial Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

April 29, 2024

Honorable Mayor, Members of the City Council, and Management
City of Scottsdale
7447 E. Indian School Rd. Suite 205
Scottsdale, AZ 85251

We are pleased to confirm our understanding of the services we are to provide for City of Scottsdale, Arizona (City) for the year ended June 30, 2024. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Scottsdale, Arizona as of and for the year ended June 30, 2024.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules
3. Schedule of changes in long-term debt
4. Financial data schedules (FDS) for HUD reporting

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
4. Municipal Property Corporation Annual Financial Report
- ~~5. Scottsdale Mountain Community Facilities District Annual Financial Report~~
6. McDowell Mountain Ranch Community Facilities District Annual Financial Report
7. DC Ranch Community Facilities District Annual Financial Report
8. Via Linda Road Community Facilities District Annual Financial Report
9. Waterfront Commercial Community Facilities District Annual Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the City Council of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition
3. Unrealized investment losses

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in April 2024 and conclude audit procedures and date our report in October 2024.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Lai Cluff, Acting City Auditor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Sonia Andrews, City Treasurer/CFO

This letter correctly sets forth the understanding of City of Scottsdale, Arizona.

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: *Lai Cluff*

Date: 04/30/2024

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

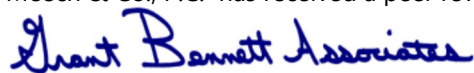
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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510/817-4886

Princeville, HI
888/763-7323

Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

60238BA9-C2CF-499A-BA37-D21B501FD1AD

TRANSACTION DETAILS

Reference Number

60238BA9-C2CF-499A-BA37-D21B501FD1AD

Transaction Type

Signature Request

Sent At

04/30/2024 09:21 MST

Executed At

04/30/2024 09:57 MST

Identity Method

email

Distribution Method

email

Signed Checksum

3eceb39a9a4ce6b1a620a0709c324f621fdd3d65b27eae0e3a46643aa5e248b

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr FY24 Scottsdale City

Filename

Engagement_Ltr_FY24_Scottsdale_City.pdf

Pages

13 pages

Content Type

application/pdf


File Size

381 KB

Original Checksum

90cf2c8f16fc8ee8d4bd67b054785521653ac3ddd3a52c7d44391ffb24e65bf0

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Lai Cluff</p> <p>Email lcluff@scottsdaleaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum d68b8cbd8701cba8fa5207e2a742f0aa0537f630746058024d6295f3b4a98d61</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 736D95D4</p>	<p>Viewed At 04/30/2024 09:34 MST</p> <p>Identity Authenticated At 04/30/2024 09:57 MST</p> <p>Signed At 04/30/2024 09:57 MST</p>

AUDITS

TIMESTAMP	AUDIT
04/30/2024 09:21 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY24_Scottsdale_City.pdf' on Chrome via Windows from 76.134.178.164.
04/30/2024 09:21 MST	Lai Cluff (lcluff@scottsdaleaz.gov) was emailed a link to sign.
04/30/2024 09:34 MST	Lai Cluff (lcluff@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
04/30/2024 09:57 MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

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FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, which comprise the respective financial position of the governmental activities and each major fund, as of June 30, 2024, and the respective changes in financial position for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. If applicable, investments are properly valued.
37. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Special and extraordinary items, if any, are appropriately classified and reported.

42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the supplementary budget comparison information presented for the Debt Service Fund.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We understand that at the conclusion of the audit, Heinfeld, Meech & Co., P.C. will submit to the City Auditor a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Sonia Andrews

Sonia Andrews, CPA
City Treasurer/CFO
City of Scottsdale, Arizona

Anna Marie Henthorn

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant CFO
City of Scottsdale, Arizona

SIGNATURE CERTIFICATE



REFERENCE NUMBER

753EF1BF-F5E8-4602-98CA-27DB65B52F94

TRANSACTION DETAILS

Reference Number

753EF1BF-F5E8-4602-98CA-27DB65B52F94

Transaction Type

Signature Request

Sent At

10/28/2024 19:19 EDT

Executed At

10/29/2024 19:31 EDT

Identity Method

email

Distribution Method

email

Signed Checksum

73984e9bf8d840d807483a58210a5cefd8e99fc6386fc5f02bb04045707134b9

Signer Sequencing

Enabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

General Rep Letters City of Scottsdale Component Units 2024

Filename

General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf

Pages

29 pages

Content Type

application/pdf

File Size

317 KB

Original Checksum

4437eaf055dad93544b80e27da124e79d675b5ffb2530716ff247513c2e2bd8c

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Sonia Andrews</p> <p>Email sandrews@scottsdaleaz.gov</p> <p>Signer Sequence 1</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 21dd6abcf5c70018abf2d101cfdaf9a587b7d6cbdcfe3d61182b81e8ef15d69</p> <p>IP Address 192.206.21.8</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 51F86303</p>	<p>Viewed At 10/29/2024 19:29 EDT</p> <p>Identity Authenticated At 10/29/2024 19:31 EDT</p> <p>Signed At 10/29/2024 19:31 EDT</p>
<p>Name Anna Henthorn</p> <p>Email ahenthorn@scottsdaleaz.gov</p> <p>Signer Sequence 0</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum b056f91a0b9540cb697426f2ef9308cb9aa9ba09596b61d14ad91cfd14a85d88</p> <p>IP Address 192.206.21.8</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 0440C58F</p>	<p>Viewed At 10/29/2024 13:46 EDT</p> <p>Identity Authenticated At 10/29/2024 13:50 EDT</p> <p>Signed At 10/29/2024 13:50 EDT</p>

AUDITS

TIMESTAMP	AUDIT
10/28/2024 13:30 EDT	Jared Young (jared.young@hm.cpa) created document 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 54.144.112.110.
10/28/2024 13:30 EDT	Sonia Andrews (sandrews@scottsdale.gov) was emailed a link to sign.
10/28/2024 13:30 EDT	Anna Henthorn (ahenthorn@scottsdale.gov) was emailed a link to sign.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'sandrews@scottsdale.gov' to 'sandrews@scottsdaleaz.gov'.

TIMESTAMP	AUDIT
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10/28/2024 15:34 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified the signer email from 'ahenthorn@scottsdale.gov' to 'ahenthorn@scottsdaleaz.gov'.
10/28/2024 15:34 EDT	Jared Young (jared.young@hm.cpa) modified signer email/name for 'General_Rep_Letters_City_of_Scottsdale_Component_Units_2024.pdf' on Chrome via Windows from 35.169.110.255.
10/28/2024 15:34 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 15:35 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 15:35 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 16:02 EDT	Jared Young (jared.young@hm.cpa) initiated revision on Chrome via Windows from 54.144.112.110.
10/28/2024 16:03 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 16:03 EDT	Sonia Andrews (sandrews@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 16:03 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/28/2024 17:12 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a reminder.
10/28/2024 19:19 EDT	Jared Young (jared.young@hm.cpa) initiated revision on Chrome via Windows from 54.144.112.110.
10/28/2024 19:19 EDT	Jared Young (jared.young@hm.cpa) completed revision
10/28/2024 19:19 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) was emailed a link to sign.
10/29/2024 13:46 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 13:50 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
10/29/2024 13:50 EDT	Anna Henthorn (ahenthorn@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.
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Attachment 6B -
Waterfront Commercial CFD
Report on Internal Control over
Financial Reporting and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Waterfront Commercial Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Waterfront Commercial Community Facilities District's basic financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterfront Commercial Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterfront Commercial Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterfront Commercial Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterfront Commercial Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

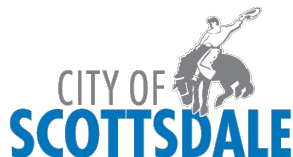
Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 29, 2024

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Audit Committee

Councilwoman Kathy Littlefield, Chair
Vice Mayor Barry Graham
Councilwoman Solange Whitehead

City Auditor's Office

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Elizabeth Brandt, Senior Auditor
Brad Hubert, Senior Auditor
Mel Merrill, Senior Auditor
Shelby Trimaloff, Exec Asst to City Auditor
Lai Cluff, Acting City Auditor

The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity.