

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

CITY OF SCOTTSDALE, ARIZONA

June 30, 1971

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CONTENTS

AUDITED FINANCIAL STATEMENTS

ACCOUNTANTS' REPORT.....Page 3

GENERAL GOVERNMENTAL FUNDS

 Balance Sheets..... 4

 Statements of Revenues, Expenditures, and Fund Balance..... 6

SEWER FUNDS

 Balance Sheets..... 8

 Statements of Revenues, Expenditures, and Fund Balance..... 10

MUNICIPAL WATER UTILITY FUND

 Balance Sheet..... 11

 Statement of Revenues, Expenditures,
 and Retained-Earnings Deficit..... 13

 Statement of Changes in Financial Position..... 14

MUNICIPAL AIRPORT FUND

 Balance Sheet..... 15

 Statement of Revenues, Expenditures,
 and Retained-Earnings Deficit..... 16

 Statement of Changes in Financial Position..... 17

SPECIAL ASSESSMENTS FUND

 Balance Sheet..... 18

 Statement of Changes in Fund Balance..... 19

TRUST AND AGENCY FUND

 Balance Sheets..... 20

 Statements of Revenues, Expenditures,
 and Fund-Balance Deficit..... 21

FEDERAL GRANTS FUND

 Balance Sheet..... 22

 Statement of Revenues, Expenditures, and Fund Balance..... 23

NOTES TO FINANCIAL STATEMENTS..... 24

OTHER FINANCIAL INFORMATION

ACCOUNTANTS' REPORT ON OTHER FINANCIAL INFORMATION..... 28

GENERAL GOVERNMENTAL FUNDS

 Combined Statement of Revenues Compared to Budget..... 29

 Combined Statement of Expenditures and Encumbrances
 Compared to Budget..... 30

ERNST & ERNST

222 N. CENTRAL AVE., SUITE 800

PHOENIX, ARIZONA 85004

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

We have examined the financial statements of the respective funds shown on pages 4 through 27 of this report of the City of Scottsdale, Arizona, as of June 30, 1971, and for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as described in the following paragraph.

In accordance with your instructions, property, plant, and equipment and the related investment in property, plant, and equipment accounts of the General Fixed Assets and Sewer Fixed Assets Funds were excluded from the scope of our examination. Because of the materiality of these accounts, we are unable to express an opinion on the balance sheets of the General Fixed Assets and Sewer Fixed Assets Funds. Also, because depreciation has not been recorded on Sewer Fixed Assets, and because the amount if recorded would be material, we are unable to express an opinion on the statement of revenues, expenditures, and fund balance of the Revenue, Operations, and Maintenance Sewer Fund.

In our opinion, with the exceptions stated in the preceding paragraph, the financial statements identified above present fairly the financial positions of the respective funds of the City of Scottsdale, Arizona, at June 30, 1971, and the revenues, expenditures, and changes in fund balances, retained earnings, and financial positions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Phoenix, Arizona
October 15, 1971

BALANCE SHEETS

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

June 30, 1971

	General	Motor Vehicle Fuel Tax	Operating Funds Major Streets and Highways
ASSETS			
Cash	\$ 37,903	\$ 2,548	\$ 634
Cash with fiscal agents		382	
Investments - at cost, which approximates market	572,044	135,000	281,141
Other assets	84,200		
Due from other funds	836,629		
Property and equipment - at cost:			
Land			
Buildings and improvements			
Streets and storm drains			
Machinery and equipment			
Construction in progress			
Construction to be provided - Note F			
Amount to be provided for retirement of debt			
	<u>\$1,530,776</u>	<u>\$137,930</u>	<u>\$281,775</u>
LIABILITIES			
Claims payable	\$ 369,198	\$ 15,221	\$
Contract payable - Note F			
Due to other funds	69,840	11,011	7,704
Bonds payable - Note B			
Bond interest payable		382	
Assessments payable on City property			
Other liabilities			
	<u>439,038</u>	<u>26,614</u>	<u>7,704</u>
Fund balance:			
Reserved for encumbrances	146,187	2,151	17,800
Available for appropriation	945,551	109,165	256,271
	<u>1,091,738</u>	<u>111,316</u>	<u>274,071</u>
Investment in property and equipment			
	<u>\$1,530,776</u>	<u>\$137,930</u>	<u>\$281,775</u>

See notes to financial statements and accompanying accountants' report.

<u>Public Works Reserve</u>	<u>General Debt Service</u>	<u>General Fixed Assets</u>	<u>General Bonded Debt</u>
\$ 3,532	\$ 2,548 168,393	\$	\$
960,566 60,992 128,652	91,000		
		1,830,536 4,497,243 3,423,877 2,342,063 745,016	
997,792 450,006			3,870,000
<u>\$2,601,540</u>	<u>\$261,941</u>	<u>\$12,838,735</u>	<u>\$3,870,000</u>
\$ 55,838 1,447,798 313,690	\$ 93,548 84,000 84,393	\$	\$
64,877		918,781	3,870,000
1,882,203	261,941	918,781	3,870,000
326,186 393,151 719,337			
		11,919,954	
<u>\$2,601,540</u>	<u>\$261,941</u>	<u>\$12,838,735</u>	<u>\$3,870,000</u>

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

Year ended June 30, 1971

	Operating Funds		
	General	Motor Vehicle Fuel Tax	Major Streets and Highways
Revenues:			
Taxes:			
Privilege License	\$1,426,139	\$	\$
Property	667,999		
State sales	1,299,746		
Gasoline		173,666	273,138
Automobile in lieu	270,141		
Light and power franchise	91,396		
Bank	15,256		
	<u>3,770,677</u>	<u>173,666</u>	<u>273,138</u>
Licenses and permits	376,077		
Fines and forfeitures	145,586		
Charges for services and interest on investments	246,555	4,002	8,934
Refuse removal	82,851		
Parks and recreation fees	31,632		
Library fines and fees	18,179		
Sale of fixed assets	563,119		
	<u>5,234,676</u>	<u>177,668</u>	<u>282,072</u>
Expenditures:			
Personal services	2,816,868	215,115	
Contractual services	1,136,321	55,945	
Commodities	389,257	118,951	
Capital outlays	550,026	34,619	106,599
Payments to fiscal agents for:			
Principal			
Interest			
Fiscal agent's fees	3,274		
	<u>4,895,746</u>	<u>424,630</u>	<u>106,599</u>
EXCESS OF REVENUES (EXPENDITURES)	338,930	(246,962)	175,473
Contribution from Sewer Fund		278,698	
Interfund transfers (out) in		(3,829)	
	<u>338,930</u>	<u>27,907</u>	<u>175,473</u>
Fund balance at beginning of year	<u>752,808</u>	<u>83,409</u>	<u>98,598</u>
FUND BALANCE AT END OF YEAR	<u>\$1,091,738</u>	<u>\$111,316</u>	<u>\$274,071</u>

See notes to financial statements and accompanying accountants' report.

<u>Public Works Reserve</u>	<u>General Debt Service Funds</u>	
	<u>General Obligation</u>	<u>Motor Vehicle Fuel Tax</u>
\$1,372,124	\$	\$
123,577	176,722	
<u>1,495,701</u>	<u>176,722</u>	
20,008		
<u>1,515,709</u>	<u>176,722</u>	
169,836		
55,100		
98,845		
962,976		
	39,000	3,000
	137,304	723
	418	106
<u>1,286,757</u>	<u>176,722</u>	<u>3,829</u>
228,952		(3,829)
<u>228,952</u>		<u>3,829</u>
<u>490,385</u>		
<u>\$ 719,337</u>	<u>\$</u>	<u>\$</u>

BALANCE SHEETS

CITY OF SCOTTSDALE, ARIZONA

SEWER FUNDS

June 30, 1971

	<u>Operating Funds</u>	
	<u>Revenue, Operations, and Maintenance</u>	<u>Replacement and Extension Reserve</u>
ASSETS		
Cash	\$ 10,962	\$
Cash with fiscal agents		48,298
Investments - at cost, which approximates market	673,707	
Due from other funds		11,837
Property, plant, and equipment - at cost:		
Land		
Sewer plant		
Machinery and equipment		
Amount to be provided for retirement of bonds	<u> </u>	<u> </u>
	<u>\$684,669</u>	<u>\$60,135</u>
LIABILITIES		
Claims payable	\$ 17,850	\$
Due to other funds	349,775	
Bonds payable - Note B		
Bond interest payable	<u>367,625</u>	
Fund balance:		
Reserved for encumbrances	17,105	
Restricted for bond retirement		60,135
Available for appropriation	<u>299,939</u>	<u>60,135</u>
	317,044	60,135
Investment in property, plant, and equipment	<u> </u>	<u> </u>
	<u>\$684,669</u>	<u>\$60,135</u>

See notes to financial statements and accompanying accountants' report.

<u>Sewer Debt Service Funds</u>			
<u>Interest and Redemption</u>	<u>Reserve</u>	<u>Sewer Fixed Assets</u>	<u>Sewer Bonded Debt</u>
\$ 88,498	\$ 112,297	\$	\$
		67,904	
		6,257,336	
		48,904	
			<u>2,755,000</u>
<u>\$88,498</u>	<u>\$112,297</u>	<u>\$6,374,144</u>	<u>\$2,755,000</u>
\$	\$	\$	\$
35,000			2,755,000
52,496			
<u>87,496</u>			<u>2,755,000</u>
	112,297		
1,002			
<u>1,002</u>	<u>112,297</u>		
		<u>6,374,144</u>	
<u>\$88,498</u>	<u>\$112,297</u>	<u>\$6,374,144</u>	<u>\$2,755,000</u>

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

SEWER FUNDS

Year ended June 30, 1971

	Operating Funds		Sewer Debt Service Funds	
	Revenue, Operations, and Maintenance	Replacement and Extension Reserve	Interest and Redemption	Reserve
Revenues:				
Sewer service	\$683,284	\$	\$	\$
Interest on investments	48,689			
Federal aid	114,500			
	<u>846,473</u>			
Expenditures:				
Personal services	111,020	} 227,815		
Contractual services	103,552			
Commodities	8,243			
Capital outlays	163,720			
Payments to fiscal agents for:				
Principal			80,000	
Interest			135,068	
Fiscal agent's fees			3,015	
	<u>386,535</u>		<u>218,083</u>	
EXCESS OF REVENUES (EXPENDITURES)	459,938		(218,083)	
Interfund transfers (out) in	(228,606)	13,345	215,261	
Contribution to Motor Vehicle Fuel Tax Fund	(278,698)			
Contribution to Municipal Water Utility Fund	(10,553)			
Contribution to Municipal Airport Fund	(73,752)			
	<u>(591,609)</u>	<u>13,345</u>	<u>215,261</u>	
	(131,671)	13,345	(2,822)	
Fund balance at beginning of year	<u>448,715</u>	<u>46,790</u>	<u>3,824</u>	<u>112,297</u>
FUND BALANCE AT END OF YEAR	<u>\$317,044</u>	<u>\$60,135</u>	<u>\$ 1,002</u>	<u>\$112,297</u>

See notes to financial statements and accompanying accountants' report.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

MUNICIPAL WATER UTILITY FUND

June 30, 1971

ASSETS

CURRENT ASSETS

Cash	\$ 3,487
Investments - at cost, which approximates market	10,000
Accounts receivable	56,495
Due from other funds	<u>684</u>

TOTAL CURRENT ASSETS 70,666

PROPERTY AND EQUIPMENT - on the basis of cost

Land	25,848
Well site and water system	1,976,623
Furniture and equipment	56,929
Allowance for depreciation and amortization (deduction)	<u>(383,928)</u>
	1,675,472

ASSETS RESTRICTED FOR BOND REDEMPTION

Cash	125,000
Investments - at cost, which approximates market	<u>542,878</u>
	667,878

OTHER ASSETS

Utility plant acquisition adjustment (net of amortization of \$14,625) - Note G	1,447,849
--	-----------

\$3,861,865

LIABILITIES

CURRENT LIABILITIES

Claims payable	\$ 42,619
Due to other funds	109,352
Bond interest payable	<u>27,648</u>

TOTAL CURRENT LIABILITIES 179,619

LONG-TERM DEBT

Bonds payable - Note B	1,500,000
Contract payable - Note G	<u>1,629,625</u>
	<u>3,129,625</u>

OTHER LIABILITIES

Customer deposits	57,435
Customer advances for construction	<u>79,606</u>
	<u>137,041</u>
	<u>3,446,285</u>

CONTRIBUTIONS TO CAPITAL

Contributions from subdividers	60,436
Contributions from assessment districts	326,890
Contributions from Municipality	<u>30,989</u>
	<u>418,315</u>

RETAINED-EARNINGS DEFICIT

Appropriated for encumbrances	5,862
Unappropriated (deficit)	<u>(8,597)</u>
	<u>(2,735)</u>

\$3,861,865

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND RETAINED-EARNINGS DEFICIT

CITY OF SCOTTSDALE, ARIZONA

MUNICIPAL WATER UTILITY FUND

Year ended June 30, 1971

Revenues:

Metered water sales	\$144,931
Customer connection charges	2,907
Interest	<u>3,256</u>
	151,094

Expenditures:

Operating expenses	83,318
Depreciation (straight-line method)	20,246
Amortization of plant acquisition adjustment	14,625
Interest	<u>21,372</u>
	139,561

OPERATING INCOME 11,533

Retained-earnings deficit at beginning of
year (adjusted for prior year contributions
to capital of \$3,411)

(14,268)

RETAINED-EARNINGS DEFICIT AT
END OF YEAR

\$ (2,735)

See notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

CITY OF SCOTTSDALE

MUNICIPAL WATER UTILITY FUND

June 30, 1971

SOURCE OF FUNDS

From operations:

Operating income for the year
 Depreciation and amortization

\$ 11,533
34,871

WORKING CAPITAL PROVIDED
 FROM OPERATIONS

46,404

Issuance of long-term debt
 Increase in other liabilities
 Contributions to capital

3,129,625
 137,041
82,990
 3,396,060

APPLICATION OF FUNDS

Acquisition of Indian Bend Water Company - Note G

Utility plant acquisition
 Property and equipment - at cost less
 accumulated depreciation to date of
 acquisition of \$355,525

1,462,474

1,195,195
2,657,669

Purchase of property and equipment
 Increase in assets restricted for bond
 retirement

176,579

667,878
3,502,126

DECREASE IN WORKING CAPITAL \$ 106,066

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

MUNICIPAL AIRPORT FUND

June 30, 1971

ASSETS

CURRENT ASSETS

Cash	\$ 16,377
Accounts receivable	5,601
Due from other funds	<u>3,733</u>

TOTAL CURRENT ASSETS	25,711
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PROPERTY AND EQUIPMENT - on the basis of cost

Land and airport runways	1,577,250
Buildings	299,715
Equipment	3,075
Construction in progress	27,877
Allowance for depreciation and amortization (deduction)	<u>(122,492)</u>
	1,785,425

CONSTRUCTION TO BE PROVIDED - Note F	<u>142,916</u>
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	<u>\$1,954,052</u>
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LIABILITIES

CURRENT LIABILITIES

Vouchers payable	\$ 399
Current portion of contract payable	<u>15,900</u>

TOTAL CURRENT LIABILITIES	16,299
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CONTRACT PAYABLE - less portion classified as current liability - Note F	434,654
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CONTRIBUTIONS TO CAPITAL

Contributions from Seventh-Day Adventist Church	700,000
Contributions from federal government	793,784
Contributions from Municipality	<u>110,505</u>
	1,604,289

RETAINED-EARNINGS DEFICIT	<u>(101,190)</u>
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	<u>\$1,954,052</u>
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See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND RETAINED-EARNINGS DEFICIT

CITY OF SCOTTSDALE, ARIZONA

MUNICIPAL AIRPORT FUND

Year ended June 30, 1971

Revenues:

Rentals	\$ 33,199
Commissions	15,235
Interest on investments	<u>346</u>
	48,780

Expenditures:

Operating expenses	19,632
Depreciation (straight-line method)	39,780
Interest	<u>14,862</u>
	74,274

OPERATING LOSS (25,494)

Retained-earnings deficit at beginning of
year (adjusted for prior year contributions
to capital of \$18,374)

(75,696)

RETAINED-EARNINGS DEFICIT AT
END OF YEAR

\$(101,190)

See notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

CITY OF SCOTTSDALE, ARIZONA

MUNICIPAL AIRPORT FUND

June 30, 1971

SOURCE OF FUNDS

From operations:

Depreciation

\$ 39,780

Less operating loss for the year

25,494

WORKING CAPITAL PROVIDED
FROM OPERATIONS

14,286

Increase on contract payable - less
construction to be provided of
\$142,916

27,877

Contributions to capital

79,677

121,840

APPLICATION OF FUNDS

Purchase of property and equipment

28,396

Decrease of contract payable

15,900

44,296

INCREASE IN WORKING CAPITAL \$ 77,544

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

SPECIAL ASSESSMENTS FUND

June 30, 1971

ASSETS

Cash	\$ 5,675
Cash with fiscal agents	69,886
Investments - at cost, which approximates market	475,898
Special assessments receivable - Note C	3,163,801
Due from other funds	<u>61,350</u>
	<u>\$3,776,610</u>

LIABILITIES

Bonds payable - Note C	\$3,213,687
Bond interest payable	540,398
Other liabilities	<u>2,462</u>
	<u>3,756,547</u>
Fund balance - restricted for bond interest and redemption	<u>20,063</u>
	<u>\$3,776,610</u>

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

SPECIAL ASSESSMENTS FUND

Year ended June 30, 1971

Fund balance at beginning of year	\$16,608
Penalties on delinquent collections	<u>4,079</u>
	20,687
Accumulated penalties relating to completed assessment districts paid to General Fund	<u>(624)</u>
	FUND BALANCE AT END OF YEAR -
	restricted for bond interest and redemption <u>\$20,063</u>

See notes to financial statements.

BALANCE SHEETS

CITY OF SCOTTSDALE, ARIZONA

TRUST AND AGENCY FUND

June 30, 1971

	Neighborhood Development Project	Other
ASSETS		
Cash	\$ 369,581	\$ 3,093
Grant receivable	544,303	
Investments - at cost, which approximates market		111,308
Due from other funds		2,087
Accumulated project costs	<u>960,576</u>	
	<u>\$1,874,460</u>	<u>\$116,488</u>
LIABILITIES		
Claims payable	\$ 3,197	\$ 240
Guaranty and other deposits		87,277
Due to other funds	3,796	33,188
Loan payable to bank	1,090,000	
Interest payable	<u>8,139</u>	
	1,105,132	<u>120,705</u>
Fund-balance deficit	(191,248)	(4,217)
Invested in project	<u>960,576</u>	
	<u>\$1,874,460</u>	<u>\$116,488</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND-BALANCE DEFICIT

CITY OF SCOTTSDALE, ARIZONA

TRUST AND AGENCY FUND

Year ended June 30, 1971

	Neighborhood Development Project	Other
Revenues:		
Donations received	\$	\$14,934
Grants from federal agencies	864,517	
Other income	13,375	
	<u>877,892</u>	<u>14,934</u>
Expenditures:		
Personal services	77,629	6,885
Contractual services	30,935	11,219
Commodities		2,047
Capital outlays	960,576	2,460
	<u>1,069,140</u>	<u>22,611</u>
	EXCESS OF EXPENDITURES	(7,677)
	(191,248)	(2,560)
Transfers to Federal Grants Fund		(2,560)
Fund balance at beginning of year		<u>6,020</u>
	FUND-BALANCE DEFICIT	
	AT END OF YEAR	<u>\$ (4,217)</u>
	<u>\$ (191,248)</u>	<u>\$ (4,217)</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

FEDERAL GRANTS FUND

June 30, 1971

ASSETS

Grants receivable	\$218,352
Due from other funds	<u>37,796</u>
	<u>\$256,148</u>

LIABILITIES

Claims payable	\$119,939
Due to other funds	<u>90,861</u>
	210,800
Fund balance:	
Reserved for encumbrances	1,280
Available for appropriation	<u>44,068</u>
	<u>45,348</u>
	<u>\$256,148</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

FEDERAL GRANTS FUND

Year ended June 30, 1971

Grants from federal agencies	\$278,358
	<u>278,358</u>
Expenditures:	
Personal services	6,572
Contractual services	10,442
Commodities	487
Capital outlays	<u>218,069</u>
	<u>235,570</u>
	EXCESS OF REVENUES 42,788
Transfer from Trust and Agency Fund	<u>2,560</u>
	FUND BALANCE AT END OF YEAR <u>\$ 45,348</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

June 30, 1971

NOTE A - PRINCIPLES OF ACCOUNTING

The City of Scottsdale maintains its accounts on a modified accrual basis under which revenues are recorded only when received, and expenditures are recorded when the liability has been incurred. Encumbrances are accounted for through a segregation of fund balances.

The Municipal Water Utility and Municipal Airport Funds are accounted for as enterprise funds under which revenue is recorded when earned, expenditures are recorded when the liability has been incurred, and depreciation is recorded for property and equipment. Encumbrances are accounted for as appropriations of retained earnings.

NOTE B - BONDS PAYABLE

Bond transactions for the year ending June 30, 1971, were as follows:

	<u>General Obligation</u>	<u>Motor Vehicle Fuel Tax</u>	<u>Sewer Revenue</u>	<u>Water Revenue</u>
Bonds outstanding at July 1, 1970	\$4,019,000	\$17,000	\$2,820,000	\$
New issues				1,500,000
Redemptions	<u>(79,000)</u>	<u>(3,000)</u>	<u>(30,000)</u>	
BONDS OUTSTANDING AT JUNE 30, 1971	<u>\$3,940,000</u>	<u>\$14,000</u>	<u>\$2,790,000</u>	<u>\$1,500,000</u>

Bonds outstanding at June 30, 1971, bear interest at rates which vary from 3.5% to 6.0% and mature as shown below:

	<u>General Obligation</u>	<u>Motor Vehicle Fuel Tax</u>	<u>Sewer Revenue*</u>	<u>Water Revenue</u>
Bonds matured or maturing at July 1, 1971	\$ 84,000	\$	\$ 35,000	\$
Bonds to be redeemed during the following fiscal years:				
1972	89,000	3,000	35,000	
1973-1975	287,000	9,000	125,000	50,000
1976-1980	575,000	2,000	280,000	190,000
1981-1985	710,000		590,000	275,000
1986-1990	870,000		720,000	375,000
1991-1996	<u>1,325,000</u>		<u>1,005,000</u>	<u>610,000</u>
	<u>\$3,940,000</u>	<u>\$14,000</u>	<u>\$2,790,000</u>	<u>\$1,500,000</u>

* Includes mandatory sinking fund payments for \$850,000 in term bonds maturing July 1, 1993.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

CITY OF SCOTTSDALE, ARIZONA

June 30, 1971

NOTE C - SPECIAL ASSESSMENTS RECEIVABLE

The City acts as trustee for special assessments on improvement districts, whereby it collects the assessments levied against the owners of property within the improvement district and disburses these amounts to retire the bonds issued to finance the improvements.

NOTE D - AUTHORIZED BUT UNISSUED BONDS

Balances of authorized, issued, and unissued bonds at June 30, 1971, are as follows:

	<u>Total Bonds Authorized</u>	<u>Bonds Issued</u>	<u>Authorized Bonds Unissued</u>
General obligation - park and recreational improvement	\$1,438,000	\$ 700,000	\$ 738,000
Sewer revenue	7,500,000	2,950,000	4,550,000
Water revenue - 1961	3,000,000		3,000,000
Water revenue - 1971	3,000,000	1,500,000	1,500,000

The future sales of authorized bonds are subject to limitations as described in existing bond indentures and/or bonded debt limitations as prescribed by state law.

NOTE E - REDEMPTION OF 1957 AND 1961 SEWER REVENUE BONDS

The City issued 1957 and 1961 Sewer Revenue Bonds for the planned construction of a sewer treatment plant. Proceeds from these bonds became unexpended when the plan was abandoned and it was necessary to refund the bonds to remove their lien on future sewer revenues and to provide for the issuance of additional bonds for construction of joint sewer facilities under a five-city plan. On July 9, 1964, the City executed an irrevocable trust agreement with a bank, whereby the City deposited funds in the trust account for the purpose of servicing and redeeming the 1957 and 1961 Sewer Revenue Bonds. The interest earnings on the funds deposited in trust together with such funds are sufficient for the redemption of principal and the payment of interest on the bonds. At June 30, 1971, the principal amounts outstanding were \$125,000 on the 1957 Sewer Revenue Bonds and \$590,000 on the 1961 Sewer Revenue Bonds. A January 1, 1975, call provision is included in each indenture and will be exercised on all bonds outstanding as of that date.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

CITY OF SCOTTSDALE, ARIZONA

June 30, 1971

NOTE F - CONTRACT PAYABLE

Under a contract payable to the City of Scottsdale Municipal Property Corporation, the City has agreed to purchase various facilities constructed by the Corporation on City land. The contract is for an amount sufficient to pay principal, interest, and other costs relating to bonds issued by the Corporation to finance the construction and is payable as follows:

	<u>Total</u>	<u>Public Works Reserve Fund</u>	<u>Municipal Airport Fund</u>
Agreement dated January 8, 1968: \$450,000 - payable in monthly installments of \$3,050 through April 1989 (\$15,000 due within one year)	\$ 413,352	\$ 133,591	\$279,761
Supplemental agreement dated March 2, 1971: \$1,485,000 - payable in monthly installments ranging from \$10,825 in March 1971, to a final payment of \$8,236 in June 1989 (\$50,000 due within one year)	<u>1,485,000</u>	<u>1,314,207</u>	<u>170,793</u>
	<u>\$1,898,352</u>	<u>\$1,447,798</u>	<u>\$450,554</u>

Legal title to the constructed facilities is retained by the Corporation until the full purchase price is paid. The City has sole right to the use of the facilities and is responsible for all operating and maintenance costs.

The City, in accordance with the contract agreement, has collateralized the bonds issued by the Corporation by (1) a first lien pledge of all excise, transaction, privilege, franchise, and lieu taxes collected by the City, and (2) a pledge of all net revenues derived from operations of the constructed facilities.

As of June 30, 1971, construction under the 1968 Agreement has been completed and construction under the 1971 Agreement is as follows:

	<u>Total</u>	<u>Public Works Reserve Fund</u>	<u>Municipal Airport Fund</u>
Construction in progress for which funds have been expended	\$ 344,292	\$ 316,415	\$ 27,877
Construction to be provided	<u>1,140,708</u>	<u>997,792</u>	<u>142,916</u>
Estimated cost of facilities when completed	<u>\$1,485,000</u>	<u>\$1,314,207</u>	<u>\$170,793</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

CITY OF SCOTTSDALE, ARIZONA

June 30, 1971

NOTE G - MUNICIPAL WATER UTILITY FUND

On March 31, 1971, the City of Scottsdale purchased all of the outstanding common stock of Indian Bend Water Company for \$1,870,000, net of assumed liabilities. After acquisition, Indian Bend Water Company was liquidated and merged into the Municipal Water Utility Fund. The property and equipment acquired have been recorded at their net book value to Indian Bend Water Company. The excess of purchase price over the net book value of assets acquired has been recorded as a "utility plant acquisition adjustment" in the amount of \$1,462,474 and is being amortized on a straight-line basis over a 25 year period.

The purchase contract entered into with the former stockholders of Indian Bend Water Company, amounting to \$1,629,625, is payable in annual installments ranging from \$75,000 in July 1972, to \$125,000 in July 1986, plus 6% interest. The contract is to be paid from operating revenues of the Municipal Water Utility Fund and places no lien on other City revenues.

The agreement also provides that the contract principal may be adjusted by the City for any unrecorded liabilities of Indian Bend Water Company which are discovered on or prior to March 31, 1978, and paid by the City.

OTHER FINANCIAL INFORMATION

ERNST & ERNST

222 N. CENTRAL AVE., SUITE 800

PHOENIX, ARIZONA 85004

ACCOUNTANTS' REPORT ON OTHER FINANCIAL INFORMATION

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

The audited financial statements of the various funds (as shown on pages 4 through 27), of the City of Scottsdale, Arizona, and our report thereon are presented in the preceding section of this report. The financial information presented hereinafter is a summary of revenues and expenditures and encumbrances of the several General Governmental Funds. Summarization of funds is not in accordance with generally accepted accounting principles and these summaries are presented solely for comparison with the related budget.

Ernst & Ernst

Phoenix, Arizona
October 15, 1971

COMBINED STATEMENT OF REVENUES COMPARED TO BUDGET

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

Year ended June 30, 1971

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
Taxes			
General	\$2,141,868	\$1,886,075	\$255,793
Special revenue	<u>1,672,423</u>	<u>1,808,125</u>	<u>(135,702)</u>
	3,814,291	3,694,200	120,091
Licenses and permits			
General	138,875	125,800	13,075
Intergovernmental			
General	1,592,393	1,459,500	132,893
Special revenue	<u>446,804</u>	<u>417,000</u>	<u>29,804</u>
	2,039,197	1,876,500	162,697
Charges for services			
General	355,242	274,800	80,442
Fines and forfeitures			
General	163,765	178,400	(14,635)
Use of money and property			
General	169,375	104,000	65,375
Special revenue	<u>32,944</u>	<u>47,912</u>	<u>(14,968)</u>
	202,319	151,912	50,407
Miscellaneous			
General	673,158	466,500	206,658
	<u>7,386,847</u>	<u>6,768,112</u>	<u>618,735</u>
TOTAL GENERAL GOVERNMENTAL REVENUE	<u>\$7,386,847</u>	<u>\$6,768,112</u>	<u>\$618,735</u>

COMBINED STATEMENT OF EXPENDITURES
AND ENCUMBRANCES COMPARED TO BUDGET

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

Year ended June 30, 1971

	Reserve for Encumbrances June 30, 1970	Expenditures During 1970-1971 for Prior Year	Credit (Charge) to Unappropriated Fund Balance
General Government			
General	\$ 3,727	\$ (3,682)	\$ 7,409
Special revenue - 1			
	<u>3,727</u>	<u>(3,682)</u>	<u>7,409</u>
Public Safety			
General	772	742	30
Special revenue - 2			
	<u>21,890</u>	<u>22,330</u>	<u>(440)</u>
	<u>22,662</u>	<u>23,072</u>	<u>(410)</u>
Public Works			
General	100,851	94,192	6,659
Special revenue			
	<u>173,515</u>	<u>57,181</u>	<u>116,334</u>
	<u>274,366</u>	<u>151,373</u>	<u>122,993</u>
Public Health and Sanitation			
General	176,921	173,565	3,356
Special revenue - 3			
	<u>176,921</u>	<u>173,565</u>	<u>3,356</u>
Community Services			
General	172,563	92,599	79,964
Special revenue			
	<u>172,563</u>	<u>(188)</u>	<u>188</u>
	<u>172,563</u>	<u>92,411</u>	<u>80,152</u>
Miscellaneous			
General			
Special revenue			
Total current year activity	650,239	436,739	213,500
Encumbrance carried forward	<u>(83,008)</u>	<u> </u>	<u>(83,008)</u>
TOTAL GENERAL GOVERNMENTAL EXPENDITURES	<u>\$567,231</u>	<u>\$436,739</u>	<u>\$130,492</u>

- 1: Portion of administrative expenses allocated to Public Works Reserve Fund.
- 2: Cost of Police Patrol Vehicles allocated to Public Works Reserve Fund.
- 3: Contingencies were appropriated to acquire Refuse Collection Equipment. A portion of these costs will be recovered from a Federal Grant.

<u>Budget</u>	<u>Expenditures for 1970-1971</u>	<u>Reserve for Encumbrances June 30, 1971</u>	<u>Unencumbered Balance June 30, 1971</u>
\$ 966,802	\$ 959,966	\$ 6,807	\$ 29
74,414	74,414		
<u>1,041,216</u>	<u>1,034,380</u>	<u>6,807</u>	<u>29</u>
1,507,311	1,505,201	142	1,968
23,812	16,622		7,190
<u>1,531,123</u>	<u>1,521,823</u>	<u>142</u>	<u>9,158</u>
363,868	335,805	28,058	5
2,166,818	1,528,849	245,933	392,036
<u>2,530,686</u>	<u>1,864,654</u>	<u>273,991</u>	<u>392,041</u>
859,851	837,021	22,620	210
93,000	13	92,828	159
<u>952,851</u>	<u>837,034</u>	<u>115,448</u>	<u>369</u>
902,919	897,064	5,552	303
78,725	63,727	7,376	7,622
<u>981,644</u>	<u>960,791</u>	<u>12,928</u>	<u>7,925</u>
34,754	3,273		31,481
319,368	235,589		83,779
<u>354,122</u>	<u>238,862</u>		<u>115,260</u>
7,391,642	6,457,544	409,316	524,782
		83,008	(83,008)
<u>\$7,391,642</u>	<u>\$6,457,544</u>	<u>\$492,324</u>	<u>\$441,774</u>