

CITY COUNCIL REPORT



Meeting Date: January 13, 2026
 Charter Provision: ***Submit the independent audit of the City's annual financial statements to the Council***
 Objective: ***Commitment to economic sustainability and transparency***

ACTION

FY 2024/25 Annual Financial Audit. Accept the FY 2024/25 financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C.

BACKGROUND

The City Charter requires the Council to designate the certified public accountants (CPAs) to perform an independent audit of the City's annual financial statements and submit these reports to the Council. Arizona Revised Statute requires that the CPA firm present the results of the annual financial statement audit to the Council during a regular meeting and not on the consent agenda, within 90 days after completion of the audit.

The City Auditor's Office contracted with Heinfeld, Meech & Co., P.C. to perform the FY 2024/25 financial audit and report on the:

- City's Annual Comprehensive Financial Report
- Annual financial reports for the 4 Community Facility Districts (CFD) and the Municipal Property Corporation (MPC)
- City expenditures of federal awards (called a "Single Audit" report)
- City's compliance with its Highway User Revenue Fund (HURF) uses
- Housing and Urban Development (HUD) financial schedule for federally supported housing programs
- Annual Expenditure Limitation Report to the State

The Single Audit report, normally provided with the annual financial statement audit, is expected to be available in February. The HUD and Annual Expenditure Limitation reports are typically completed in February and March. These reports will be presented to the Audit Committee once completed. All other reports are attached.

The Audit Committee reviewed the FY 2024/25 financial audit reports at its December 12, 2025, meeting. After review and discussion with Heinfeld, Meech & Co., P.C., the Audit Committee voted unanimously (2-0) to recommend that the City Council accept the reports.

ANALYSIS & ASSESSMENT

Citywide Reports

- In its *Independent Auditor's Report on the City's FY 2024/25 Annual Comprehensive Financial Report*, the CPA firm issued an clean opinion 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 for the General Fund.

- In its **Communication to Governance** letter, the CPA firm summarizes significant aspects of the City's accounting practices, including any newly applicable accounting standards and sensitive estimates that are significant to the financial statements. As well, the letter covers other required communications relating to the audit. The firm's letter did not identify any matters of concern.
- Although the **Single Audit** is not yet available, the CPA firm's report on the City's **Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements** was completed and is provided in the attachments. The auditors did not identify any deficiencies in internal controls while performing the audit of the financial statements. Its report on compliance with certain federal funding requirements, and its schedule of federal awards expended will be provided once completed.
- In its **Independent Accountant's Report on compliance of Highway User Revenue Fund (HURF) expenditures**, the CPA firm found that the City complied with the state's requirements under Arizona Revised Statutes §9-481(B)(2).

Component Unit Reports

As with the City's report, the CPA firm issued clean (unmodified) opinions on the separate FY 2024/25 financial reports of the City's component units, which include the 4 Community Facility Districts (DC Ranch, McDowell Mountain Ranch, Via Linda Road, Waterfront Commercial CFD's) and the Municipal Property Corporation (MPC).

The firm's **Communication to Governance** letters for the component units did not identify any matters of concern. In addition, the CPA firm issued an **Independent Auditor's Report** on internal control, compliance and other matters based on a financial statement audit for each of these entities. These reports state that testing disclosed no internal control or noncompliance matters required to be reported.

OPTIONS & RECOMMENDATION

Recommended Approach

As recommended by the Council's Audit Committee, accept the FY 2024/25 financial audit reports submitted by Heinfeld, Meech & Co., P.C.

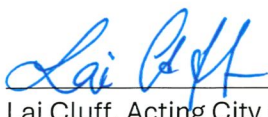
RESPONSIBLE DEPARTMENTS

Offices of the City Treasurer (*financial reports*) and the City Auditor (*independent audit*)

STAFF CONTACTS

Sonia Andrews, City Treasurer, and Lai Cluff, Acting City Auditor

APPROVED BY



Lai Cluff, Acting City Auditor
(480) 312-7851, LCluff@ScottsdaleAZ.gov

12/24/2025
Date

ATTACHMENTS

Citywide Reports

1. **FY 2024/25 Annual Comprehensive Financial Report (ACFR)**
 - a. Communication with Governance
 - b. Highway User Revenue Fund (HURF) Compliance Report
2. **Single Audit Report** (*in progress – to be provided at a later date*)
 - a. Report on Internal Control over Financial Reporting and Compliance
 - b. Report on Compliance, Internal Control over Compliance, and Schedule of Expenditures of Federal Awards (*in progress – to be provided with the Single Audit Report*)

Component Unit Reports

3. **DC Ranch Community Facilities District (CFD) Annual Financial Report**
 - a. Report on Internal Control over Financial Reporting and Compliance
4. **McDowell Mountain Ranch CFD Annual Financial Report**
 - a. Report on Internal Control over Financial Reporting and Compliance
5. **Municipal Property Corporation (MPC) Annual Financial Report**
 - a. Report on Internal Control over Financial Reporting and Compliance
6. **Via Linda Road CFD Annual Financial Report**
 - a. Report on Internal Control over Financial Reporting and Compliance
7. **Waterfront Commercial CFD Annual Financial Report**
 - a. Report on Internal Control over Financial Reporting and Compliance
8. **Communication with Governance**
 - a. DC Ranch, McDowell Mountain Ranch, Via Linda Road, Waterfront Commercial CFD's
 - b. Municipal Property Corporation (MPC)

Audit Committee Regular Meeting – December 12, 2025

Item 5 – Discussion and possible direction to staff regarding Report No. 2601, the City's Financial and Compliance Audit for FY 2024/25, performed by Heinfeld Meech & Co., P.C.

Requested Action:

The Audit Committee recommend to the City Council acceptance of the City's FY 2024/25 financial and compliance audit reports.

Citywide Reports

1. [FY 2024/25 Annual Comprehensive Financial Report \(ACFR\)](#)
 - a. [Communication with Governance](#)
 - b. [Highway User Revenue Fund \(HURF\) Compliance Report](#)
2. [Single Audit Report](#)
 - a. [Report on Internal Control over Financial Reporting and Compliance](#)

Component Unit Reports

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

Attachment 1 - FY 2024/25
Annual Comprehensive
Financial Report (ACFR)

ANNUAL COMPREHENSIVE FINANCIAL REPORT



City of Scottsdale, Arizona

For the Fiscal Year Ended June 30, 2025



City of Scottsdale, Arizona



Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2025

Prepared by:

City Treasurer's Office

Sonia Andrews, CPA
City Treasurer/Chief Financial Officer

Anna Marie Henthorn, CPA
Assistant City Treasurer/Assistant Chief Financial Officer

Sarah L. Delgado, CPA
Accounting Department Director



CITY OF SCOTTSDALE, ARIZONA

Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2025

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Letter of Transmittal

For the Fiscal Year Ended June 30, 2025



November 17, 2025

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, 2025, 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, 2025, 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 246,170 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 2025, 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, amusement, manufacturing, wholesale, 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 by 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 42.1 percent of General Fund revenues for fiscal year 2025, totaling \$196.7 million. The year-over-year slight increase of 2.1 percent in the General Fund sales tax revenue for fiscal year 2025 was in line with the budget forecast and mostly attributed to inflation. Categories with the highest reported tax revenues in fiscal year 2025 were major department stores, amusement, and automotive. The city expects a slight decrease in General Fund sales tax revenues overall in fiscal year 2026, with anticipated slower growth and the continued impact of the residential rental tax elimination that went into effect 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 \$0.0067 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's General fund anticipates a modest increase in overall revenues for the five-year financial forecast with anticipated revenues representing a normal historical growth trend. 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. 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, 2025

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

MAJOR INITIATIVES

The city's adopted fiscal year 2026 budget reflects modest increase in revenue projections in the local economy resulting from local sales tax, new ambulance transportation services, building permits fees and charges. These increases are offset by anticipated reductions in the city's interest earnings as a result of lower cash balances and reductions from the city's allocation of the state-shared income 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 \$89.5 million when compared to the fiscal year 2025, to provide core services and the priorities/policy direction of the City Council which include:

- \$50.0 million for a one-time PSPRS pension liability paydown
- \$5.3 million for salary adjustments to align to the market
- \$4.5 million for Phase II of ambulance transportation operations
- \$3.3 million for capital project management staff movement to the operating budget
- \$1.5 million to re-staff a fire truck for Station 608

Additionally, \$2.24 billion is included in the adopted capital project budget for the proposed five-year Capital Improvement Plan budget for fiscal year 2026. 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:

- \$136.2 million Bond 2019 program projects which include expansion of Granite Reef Senior Center, lakes and irrigation improvements at Vista Del Camino Park, and adding a dog park at Thompson Peak Park
- \$43.0 million for the pavement overlay program
- \$21.6 million Greenway Hayden Loop sewer improvements
- \$14.6 million new parking structure in the north-east quadrant of Old Town Scottsdale

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, 2024, marking the fifty-second 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, 2024, 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, 2025.

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, 2024

Christopher P. Morill

Executive Director/CEO

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025



City of Scottsdale, Arizona

List of Elected and Appointed Officials

City Council

Lisa Borowsky, Mayor

Jan Dubauskas

Barry Graham

Adam Kwasman

Kathy Littlefield

Mary McAllen

Solange Whitehead

Charter Officers

Greg Caton, City Manager

Luis E. Santaella, Interim City Attorney

Lai Cluff, Acting City Auditor

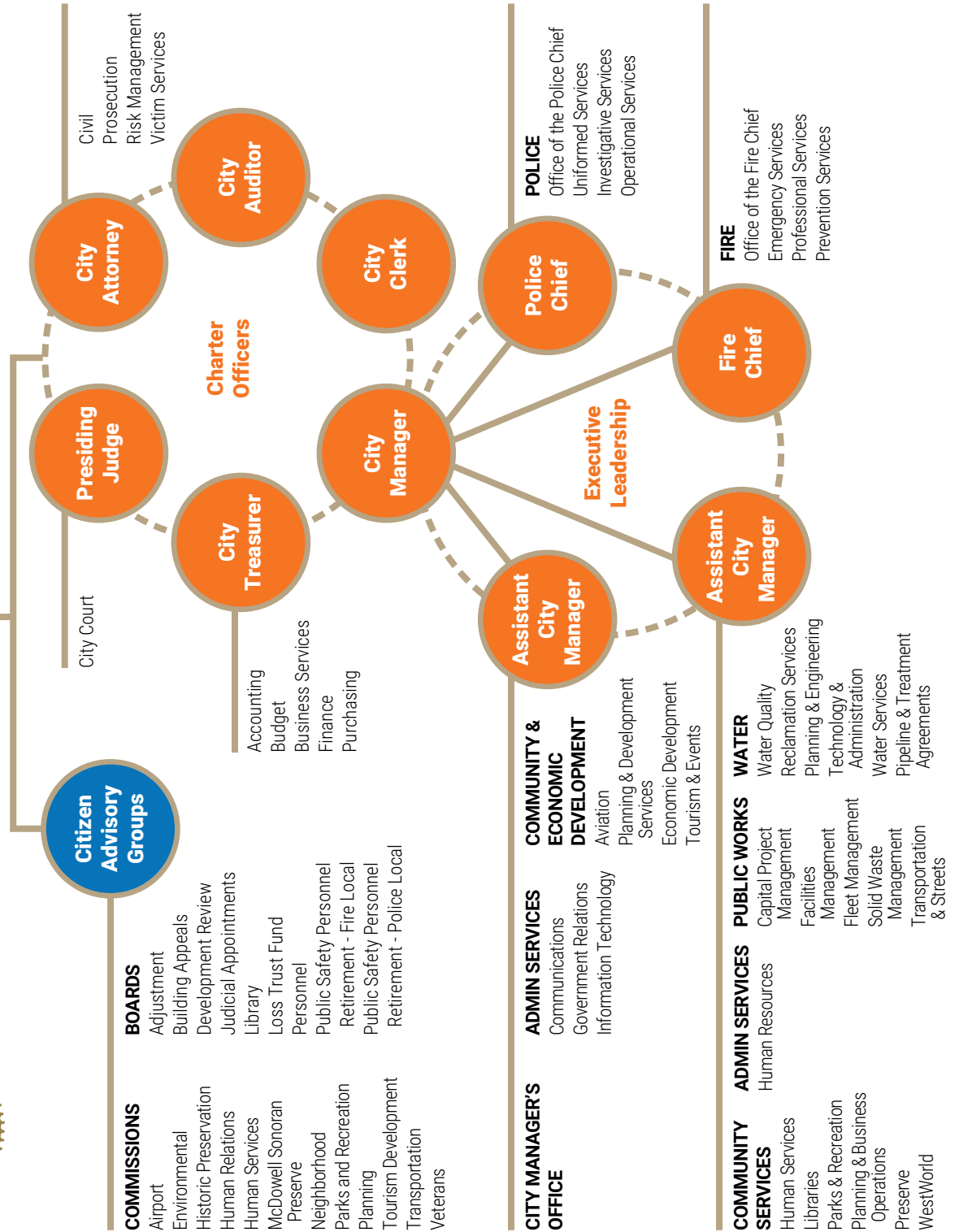
Ben Lane, City Clerk

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, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, Compensated Absences, for the year ended June 30, 2025. 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 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 November 17, 2025, 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

November 17, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025, and 2024. 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 2025 and 2024 by \$7.1 billion and \$6.8 billion (*net position*), respectively. Of these amounts, \$733.0 million and \$614.7 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 2025 by \$315.8 million compared to an increase in net position of \$379.1 million during fiscal year 2024. Revenues decreased by \$57.7 million from the prior year while expenses increased by \$5.6 million from the prior year.
- As of June 30, 2025, and 2024, the city's governmental funds reported combined ending fund balances of \$929.1 million and \$731.1 million, respectively. Approximately 29.0 percent of the current year amount (\$269.4 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 \$285.9 million or approximately 74.7 percent of total General Fund expenditures of \$382.9 million.
- The city's total long-term liabilities increased by \$116.2 million to \$1.35 billion during the current fiscal year. This increase was primarily due to the issuance of General Obligation Bonds and Municipal Property Corporation Bonds reduced by scheduled bond principal payments made.

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, 2025

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, 2025

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 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, 2025

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 \$7.07 billion, and \$6.75 billion at the close of the fiscal years 2025 and 2024, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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

Net Position

June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 1,275,681	\$ 1,124,860	\$ 597,694	\$ 468,285	\$ 1,873,375	\$ 1,593,145
Capital assets	5,109,302	5,039,614	1,633,394	1,562,353	6,742,696	6,601,967
Total assets	6,384,983	6,164,474	2,231,088	2,030,638	8,616,071	8,195,112
Total deferred outflows of resources	114,625	126,051	15,301	14,906	129,926	140,957
Total assets and deferred outflows of resources	6,499,608	6,290,525	2,246,389	2,045,544	8,745,997	8,336,069
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Long-term liabilities outstanding	950,626	936,391	403,367	301,369	1,353,993	1,237,760
Other liabilities	143,459	182,342	45,881	60,118	189,340	242,460
Total liabilities	1,094,085	1,118,733	449,248	361,487	1,543,333	1,480,220
Total deferred inflows of resources	59,556	49,399	72,429	51,546	131,985	100,945
Total liabilities and deferred inflows of resources	1,153,641	1,168,132	521,677	413,033	1,675,318	1,581,165
NET POSITION						
Net investment in capital assets	4,602,117	4,468,449	1,317,956	1,316,476	5,920,073	5,784,925
Restricted	412,106	350,415	5,500	4,907	417,606	355,322
Unrestricted	331,744	303,529	401,256	311,128	733,000	614,657
Total net position	\$ 5,345,967	\$ 5,122,393	\$ 1,724,712	\$ 1,632,511	\$ 7,070,679	\$ 6,754,904

The largest portion, 83.7 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 \$5.92 billion and \$5.78 billion as of June 30, 2025, and 2024, 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, 5.9 percent, of the city's net position, \$417.6 million at June 30, 2025, and 5.3 percent or \$355.3 million at June 30, 2024, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 10.4 percent of the city's total net position at June 30, 2025, and 9.1 percent at June 30, 2024, \$733.0 million and \$614.7 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 \$315.8 million in fiscal year 2025 compared to an increase in net position of \$379.1 million during fiscal year 2024. 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, 2025

Changes in Net Position

For the fiscal years ended June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues						
Charges for services	\$ 70,132	\$ 67,780	\$ 270,562	\$ 246,827	\$ 340,694	\$ 314,607
Operating grants and contributions	49,232	56,708	-	-	49,232	56,708
Capital grants and contributions	48,752	116,728	31,074	43,641	79,826	160,369
General revenues						
Property taxes	74,129	75,748	-	-	74,129	75,748
Business taxes	360,154	356,050	262	233	360,416	356,283
Intergovernmental - taxes	89,499	101,099	-	-	89,499	101,099
Intergovernmental - other	22,794	21,142	-	-	22,794	21,142
Interest and investment income	51,042	40,323	14,862	13,148	65,904	53,471
Other	15,926	16,697	-	-	15,926	16,697
Total revenues	781,660	852,275	316,760	303,849	1,098,420	1,156,124
EXPENSES						
General Government						
Mayor and City Council	1,065	1,027	-	-	1,065	1,027
City Clerk	1,159	968	-	-	1,159	968
City Attorney	8,636	8,059	-	-	8,636	8,059
City Auditor	960	1,046	-	-	960	1,046
City Court	7,823	7,357	-	-	7,823	7,357
City Manager	3,033	2,035	-	-	3,033	2,035
City Treasurer	12,338	11,683	-	-	12,338	11,683
Other General Government	8	10,567	-	-	8	10,567
Public Works	119,100	115,686	-	-	119,100	115,686
Community and Economic Development	50,400	51,851	-	-	50,400	51,851
Public Safety	221,440	206,102	-	-	221,440	206,102
Community Services	95,668	87,734	-	-	95,668	87,734
Administrative Services	32,174	34,605	-	-	32,174	34,605
Scottsdale AZ CARES	-	117	-	-	-	117
Streetlight and Services Districts	577	533	-	-	577	533
Interest on Long-Term Debt	14,290	16,029	-	-	14,290	16,029
Water Utility	-	-	126,586	124,386	126,586	124,386
Sewer Utility	-	-	46,530	58,401	46,530	58,401
Airport	-	-	11,009	9,685	11,009	9,685
Solid Waste	-	-	29,849	29,176	29,849	29,176
Total expenses	568,671	555,399	213,974	221,648	782,645	777,047
Increase in net position before transfers	212,989	296,876	102,786	82,201	315,775	379,077
Transfers	10,585	9,652	(10,585)	(9,652)	-	-
Change in net position	223,574	306,528	92,201	72,549	315,775	379,077
Net position - beginning	5,122,393	4,812,135	1,632,511	1,559,591	6,754,904	6,371,726
Net effect of prior period adjustment	-	3,730	-	371	-	4,101
Net position - beginning restated	5,122,393	4,815,865	1,632,511	1,559,962	6,754,904	6,375,827
Net position - ending	\$ 5,345,967	\$ 5,122,393	\$ 1,724,712	\$ 1,632,511	\$ 7,070,679	\$ 6,754,904

Governmental Activities. Net position for governmental activities increased \$223.6 million after transfers during fiscal year 2025 compared to an increase of \$306.5 million after transfers in fiscal year 2024. Total revenues decreased \$70.6 million or 8.3 percent from the prior fiscal year and expenses increased \$13.2 million or 2.4 percent. Overall, revenues exceeded expenses resulting in an increase in net position.

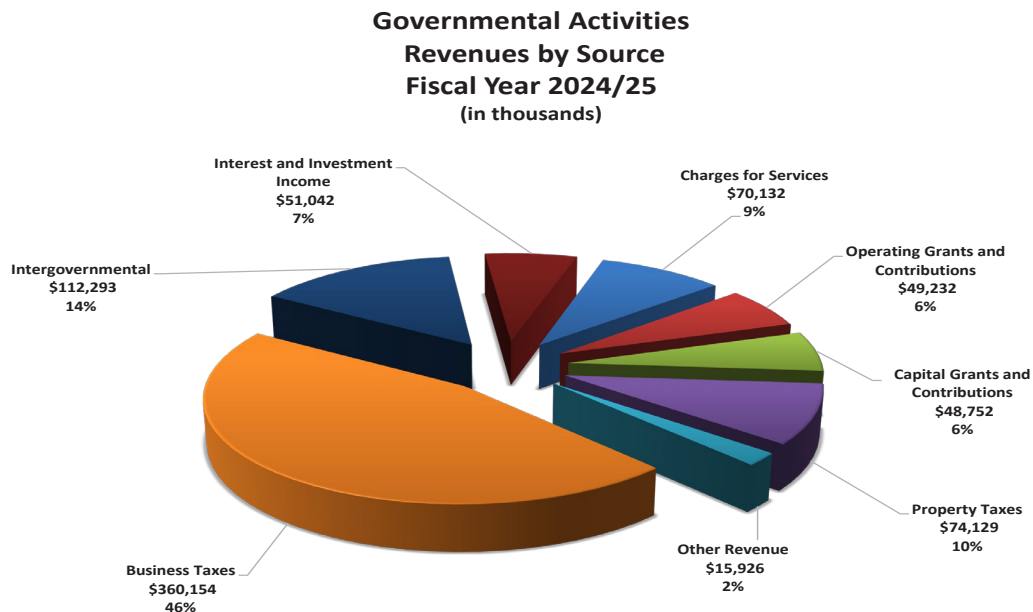
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

The city experienced a decrease in total revenues from governmental activities over the prior year due primarily from decreases in capital grants and contributions of \$68.0 million and decreases in intergovernmental taxes of \$11.6 million. The capital grants and contribution had significant decreases from developer contributions from the completion of construction projects in fiscal year 2025, with 2.45 less miles of streets being contributed than the prior fiscal year. The decrease in intergovernmental taxes was caused by the city receiving less state shared revenues than the prior year due primarily from the State of Arizona's revised flat income tax model which generated less tax income.

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 \$613.5 million in fiscal year 2025 compared to \$611.1 million in fiscal year 2024. Intergovernmental taxes decreased by \$11.6 million or 11.5 percent from the previous year due to the reasons previously stated above. The decrease in intergovernmental taxes was primarily offset by an increase in interest and investment income of \$10.7 million or 26.6 percent increase from the increase in market values of the investment portfolio.

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



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

Another component of the change in net position is expenses. The Public Safety Division, which is comprised of the Police and Fire Departments, has the largest expense function (38.9 percent), followed by the Public Works Division (20.9 percent), and the Community Services Division (16.8 percent).

The Public Safety Division provides police and fire/emergency services throughout the city. Expenses increased by \$15.3 million, or 7.4 percent, during fiscal year 2025 due primarily from increases in personnel related costs from two percent market adjustment and for the pay for performance plan of up to five percent. The city also hired new personnel for the municipal ambulance service program.

The Public Works Division consists of five departments: Capital Project Management, Facilities Management, Fleet Management, Solid Waste Management, and Transportation and Streets. Expenses were \$3.4 million, or 3.0 percent higher primarily from increased personnel cost from the two percent market adjustment and for the pay for performance plan of up to three percent.

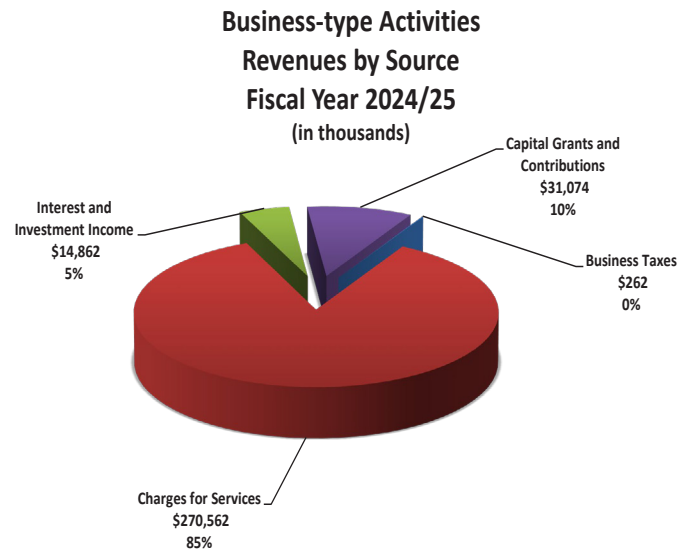
The city's Community Services Division is responsible for improving and maintaining facilities, and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. The division consists of: Human Services, Libraries, Parks and Recreation, Planning and Business Operations, Preserve, and WestWorld. Expenses were \$7.9 million, or 9.0 percent higher than the prior fiscal year due primarily from increases in personnel-related expenditures from a two percent market adjustment and for the pay for performance plan of up to three percent.

Business-type Activities. Net position for business-type activities increased by \$92.2 million after transfers during fiscal year 2025 compared to \$72.5 million after transfers in fiscal year 2024. Total revenues increased by \$12.9 million, or 4.3 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 city supplied 4.5 percent more water than the prior year on average. Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

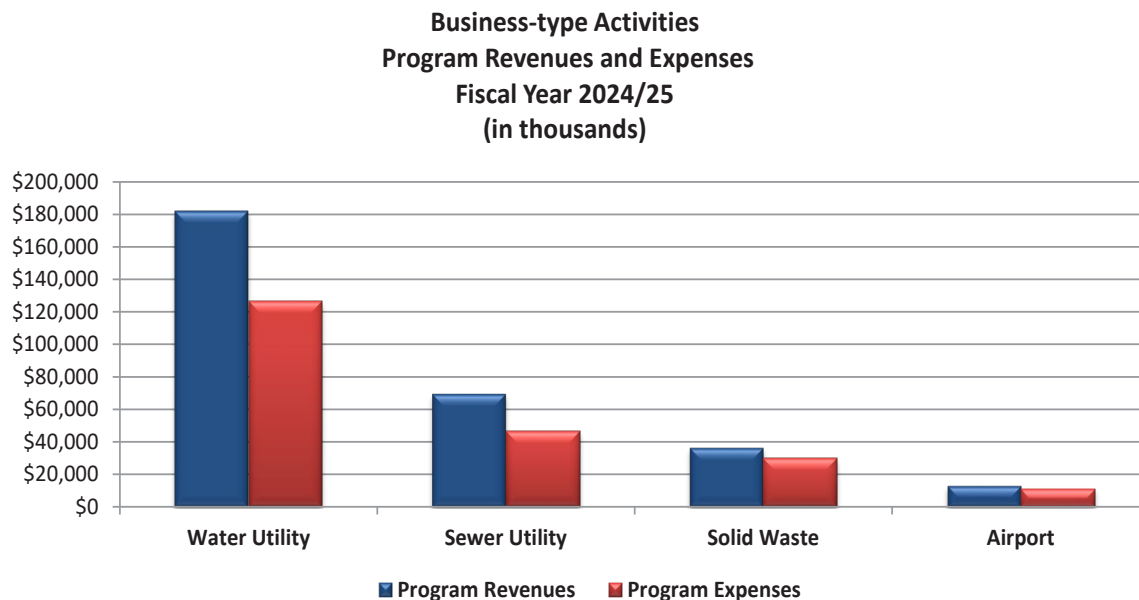
As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues, followed by capital grants and contributions. The interest and investment income and business taxes were the least significant sources of revenue.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025



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 \$126.6 million and \$46.5 million, respectively, in fiscal year 2025, followed by solid waste with \$29.9 million and airport with \$11.0 million.



The city's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2025 they provided 94,087 water connections to Scottsdale citizens. The water and sewer utility's combined expenses decreased by 5.2 percent or \$9.7 million in fiscal year 2025 compared to fiscal year 2024. The decrease in expenditure was primarily from 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, 2025

The Aviation Department operates the city's general aviation reliever facility and is home to many local corporate aircraft. More than 164,443 take-offs and landings occurred in fiscal year 2025 at Scottsdale Airport, a decrease of 4.1 percent from the prior year. Total program expenses increased by 13.7 percent or \$1.3 million in fiscal year 2025 compared to fiscal year 2024 due primarily to increases in personnel related costs from the city's pay for performance plan for up to three percent and market adjustment of two percent.

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 85,186 residential customers in fiscal year 2025. Total program expenses increased 2.3 percent or \$0.7 million in fiscal year 2025 compared to fiscal year 2024 due primarily from increases in personnel costs from the city's pay for performance plan for up to three 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 \$929.1 million, an increase of \$198.0 million from the prior year total of \$731.1 million. Approximately 29.0 percent, or \$269.4 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 \$781.4 million in fiscal year 2025, an increase of 5.5 percent, or \$40.7 million, from the previous year total of \$740.7 million. In fiscal year 2025, expenditures for governmental functions totaled \$704.5 million, a decrease of 4.1 percent, or \$30.2 million, from the fiscal year 2024 total of \$734.7 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$76.9 million. The increase in revenues was largely attributed to a \$20.8 million or 66.7 percent increase in miscellaneous grants primarily from the State Arterial Life Cycle Program for roadways, \$7.4 million or 49.6 percent increase in the fair value of investments, a \$6.0 million or 2.0 percent increase in transaction privilege tax, a \$4.9 million or 12.0 percent increase in charges for services, a \$4.3 million or 28.4 percent increase in federal grants, and a \$3.3 million or 13.1 percent increase in interest earnings, offset by a \$10.6 million or 8.0 percent decrease in intergovernmental tax revenues (state shared sales tax, state revenue sharing, auto lieu and highway user fuel tax revenues).

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

The General Fund is the chief operating fund of the city. At the end of fiscal year 2025, the unassigned fund balance of the General Fund was \$285.9 million, while the total fund balance was \$304.3 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2024 were \$246.4 million and \$247.0 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 74.7 percent of the total General Fund expenditures of \$382.9 million in fiscal year 2025 and represented 65.5 percent of the total General Fund expenditures of \$376.4 million in fiscal year 2024. Total fund balance represented 79.5 percent and 65.6 percent of total fund expenditures for fiscal years 2025 and 2024, 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, 2025, by \$57.3 million. Total revenues increased \$11.0 million, or 2.4 percent compared to the prior year while expenditures increased \$6.5 million or 1.7 percent. Significant reasons for the increase in revenues were the increases in transaction privilege tax revenue, charges for services, interest earnings, and the change in fair market value of investments, offset by a decrease in state shared revenues. Significant reasons for increases in expenditures were attributed to personnel-related costs, offset by a decrease in capital-related expenditures.

Key changes in General Fund revenues over the prior year included \$7.6 million for the increase in the fair market value of investments, \$5.3 million increase in charges for services, \$4.0 million increase in transaction privilege tax, and \$2.3 million for interest earnings, offset by a decrease in state revenue sharing revenues of \$12.4 million. The increase 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. Charges for services increased due to building permit activity, Westworld fees, and fire service fees. Transaction privilege tax increased due to a combination of inflation, tourism, and increased consumer activity. State revenue sharing decreased due to the enactment of the state income flat tax rate, resulting in lower state income tax receipts.

The Public Safety Division experienced the largest increase in General Fund expenditures, 4.3 percent, or \$8.7 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. Community Services increased 11.1 percent, or \$5.3 million and Administrative Services department increased 10.5 percent or \$2.4 million due to increases in personnel-related cost from the pay for performance program.

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 \$7.5 million, an increase of \$7.4 million from the \$0.1 million balance from the prior year. The increase in fund balance was due to a decrease in debt services payments compared to the prior year of \$7.1 million and recognition of an expenditure in the prior fiscal year of a \$5.1 million that did not occur in the current fiscal year related to the Maricopa County Qasimyar Settlement. The General Obligation Bond Debt Service is serviced partially through secondary property taxes and through transfers from various funds.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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 \$152.2 million, a decrease of \$25.8 million from the \$178.0 million from the prior fiscal year, primarily from the use of funds for various capital projects offset by cash transfers in of \$44.1 million. The transfers to this fund are primarily from the General Fund resulting from construction sales tax and interest income as required by the city's comprehensive financial policies.

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 \$133.3 million, an increase of \$19.7 million from the \$113.6 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 \$11.0 million, an increase of \$21.4 million from the deficit balance of \$32.4 million from the prior year. The increase in fund balance was due to timing differences for grant and intergovernmental reimbursements that were received in the current fiscal year for costs incurred in the prior 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 2025 and 2024, the unrestricted net position for the Water and Sewer Utility Fund was \$360.0 million and \$291.0 million, respectively; the Airport Fund was \$20.0 million and \$5.2 million, respectively; and the Solid Waste Fund was \$12.0 million and \$6.7 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had an unrestricted net position of \$53.8 million and \$52.0 million, respectively.

The total growth in net position for the enterprise funds was \$91.2 million and \$70.4 million for fiscal years 2025 and 2024, 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, 2025

General Fund revenues on a budgetary basis were \$14.9 million more than projected for fiscal year 2025. 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, offset by less property tax revenues than budgeted. The privilege tax was the most significant increase, consisting of \$13.7 million more revenues received than projected as the city continued to see increases in consumer spending. Property taxes were less than budget largely due to the \$4.9 million in Maricopa County Qasimyar Settlement property tax adjustment not included in budgetary basis revenues. Expenditures of \$378.1 million were \$7.1 million less than budgeted expenditures of \$385.2 million. All divisional expenditures came in lower than budget mostly attributed to vacancy savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The city's total capital assets for its governmental and business-type activities as of June 30, 2025 and 2024 were \$6.74 billion and \$6.60 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 2025 and 2024 was \$140.7 million or 2.1 percent.

Capital Assets, Net of Depreciation/Amortization

June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,513,288	\$ 3,498,381	\$ 52,993	\$ 52,781	\$ 3,566,281	\$ 3,551,162
Buildings and Land Improvements	511,612	445,827	116,046	97,202	627,658	543,029
Streets and Storm Drains	674,393	680,043	-	-	674,393	680,043
Machinery and Equipment	57,907	50,093	6,784	4,947	64,691	55,040
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	802,606	815,178	802,606	815,178
Sewer System	-	-	407,675	404,067	407,675	404,067
Motor Vehicles	48,070	44,860	-	-	48,070	44,860
Furniture, Fixtures, and Office Equipment	-	-	641	523	641	523
Construction in Progress	220,001	229,048	159,038	100,385	379,039	329,433
Subscription-Based I.T. Arrangements	10,290	12,866	440	99	10,730	12,965
Public-Public Partnership Assets	73,741	78,496	-	-	73,741	78,496
Total	\$ 5,109,302	\$ 5,039,614	\$ 1,633,394	\$ 1,562,353	\$ 6,742,696	\$ 6,601,967

Significant capital asset events during fiscal year 2025 included the following:

- Land:
 - \$14.0 million from land donated by developers that coincides with public street improvements for finalized permits
- Buildings and Land Improvements:
 - \$45.6 million police and fire training facilities
 - \$23.9 million airport operator improvement

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

- \$14.4 million McCormick Railroad Park improvement
- \$11.9 million Scottsdale Stadium improvement
- \$10.0 million Ashler Hills Park improvement
- Streets:
 - \$20.2 million Hayden and Miller-Pinnacle Peak to Happy Valley
 - \$12.8 million for payment overlay program
 - \$8.2 million public street improvements donated by developers
- Water System:
 - \$13.0 million developer contributions of waterline infrastructure assets
 - \$3.0 million water distribution system improvements
- Sewer System:
 - \$10.5 million developer contributions of sewerline infrastructure assets
 - \$6.8 million wastewater system improvements

As of June 30, 2025, the city has construction commitments of \$183.9 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 2025 and 2024, the city had total long-term liabilities of \$1.35 billion and \$1.24 billion, respectively. Of these amounts, \$405.8 million and \$359.1 million, for fiscal years 2025 and 2024, 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 \$948.2 million and \$878.7 million for fiscal years 2025 and 2024, 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, 2025 and 2024 was \$829.4 million and \$675.1 million, respectively, in the 6 percent capacity and \$2.42 billion and \$1.92 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, 2025

Long-term Liabilities

June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 405,765	\$ 359,110	\$ -	\$ -	\$ 405,765	\$ 359,110
Municipal Property Corporation Bonds	134,225	153,515	299,465	204,540	433,690	358,055
Community Facilities Districts						
General Obligation Bonds - Direct Placements	3,918	5,273	-	-	3,918	5,273
Issuance Premiums	26,123	24,563	19,820	13,765	45,943	38,328
Total Bonds Payable	570,031	542,461	319,285	218,305	889,316	760,766
Contracts Payable - Direct Borrowings	1,373	1,786	-	-	1,373	1,786
Leases	4,596	3,997	83	116	4,679	4,113
Public-Public Partnerships	4,084	4,368	-	-	4,084	4,368
Subscriptions	7,930	9,811	175	84	8,105	9,895
Risk Management Claims	23,472	20,958	-	-	23,472	20,958
Compensated Absences	35,819	33,266	4,072	4,399	39,891	37,665
Total Other Postemployment Benefit Liability	893	863	-	-	893	863
Net Pension Liabilities	302,426	318,881	33,476	33,279	335,902	352,160
Pollution Remediation Obligation	-	-	46,276	45,186	46,276	45,186
Total Long-term Liabilities	\$ 950,624	\$ 936,391	\$ 403,367	\$ 301,369	\$ 1,353,991	\$ 1,237,760

During fiscal year 2025, the city's total long-term liabilities increased overall by \$116.2 million due to the issuance of general obligation bonds in the governmental activities and municipal property corporation bonds in the business-type activities, net of principal due on outstanding 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 2025 and 2024 were \$335.9 million and \$352.2 million, respectively. The decrease was due to actuarial gains from investments income. 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 the expansion of 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 and interest earnings. In June 2025, the City Council approved a \$2,203.7 million budget, which is a \$91.1 million decrease from the prior year budget of \$2,294.8 million. The adopted fiscal year 2026 budget includes \$885.2 million for operations, \$370.8 million for contingencies/reserves, and \$947.7 million for capital improvements.

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, 2025 (in thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 1,004,195	\$ 331,883	\$ 1,336,078
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	37,508	33	37,541
Charges for Services	-	27,345	27,345
Fines	10,517	-	10,517
Intergovernmental and Grants	47,530	1,946	49,476
Interest	5,897	2,695	8,592
Leases	34,187	14,459	48,646
Public-Private Partnerships	-	8,428	8,428
Other	10,415	2,915	13,330
Internal Balances	8,544	(8,544)	-
Supplies Inventory	2,180	-	2,180
Prepaid Items	219	2,874	3,093
Prepayments	26,214	-	26,214
Pollution Remediation Recoveries	-	46,276	46,276
Restricted Assets			
Cash with Fiscal Agent	76,378	77,535	153,913
Customer Advances and Deposits	-	2,115	2,115
Joint Venture Construction Deposits	-	5,500	5,500
Advanced Construction Payments	-	2,080	2,080
Advanced Lease Payments	-	667	667
Net Pension OPEB Asset	9,408	1,281	10,689
Equity in Joint Ventures	2,489	78,206	80,695
Capital Assets Not Being Depreciated/Amortized			
Land, Water Rights, and Construction in Progress	3,733,289	299,202	4,032,491
Capital Assets, Net of Accumulated Depreciation/Amortization			
Facilities, Infrastructure, and Equipment	1,376,013	1,334,192	2,710,205
Total Assets	6,384,983	2,231,088	8,616,071
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refundings	11,493	9,141	20,634
Pension-Related Amounts	102,157	6,086	108,243
Pension OPEB-Related Amounts	500	74	574
City OPEB-Related Amounts	475	-	475
Total Deferred Outflows of Resources	\$ 114,625	\$ 15,301	\$ 129,926

(continued)

Statement of Net Position

June 30, 2025 (in thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 28,268	\$ 18,160	\$ 46,428
Accrued Payroll and Benefits	14,173	1,776	15,949
Accrued Compensated Absences	56	12	68
Interest Payable	7,151	3,621	10,772
Matured Bonds, Loans, and Other Payables	69,115	17,450	86,565
Due to Other Governments	4,549	-	4,549
Unearned Revenue	11,576	-	11,576
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	2,080	2,080
Advanced Lease Payments	-	667	667
Customer Advances & Deposits	5,639	2,115	7,754
Other Liabilities	2,932	-	2,932
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	18,329	2,204	20,533
Bonds, Loans, and Other Payables	81,246	22,755	104,001
City Other Postemployment Benefit Liability	127	-	127
Due in More Than One Year			
Accrued Compensated Absences	17,490	1,868	19,358
City Other Postemployment Benefit Liability	766	-	766
Net Pension Liabilities	302,426	33,476	335,902
Bonds, Loans, and Other Payables	530,242	296,788	827,030
Pollution Remediation Obligation	-	46,276	46,276
Total Noncurrent Liabilities	950,626	403,367	1,353,993
Total Liabilities	1,094,085	449,248	1,543,333
DEFERRED INFLOWS OF RESOURCES			
Leases	31,580	13,211	44,791
Pension-Related Amounts	20,637	2,544	23,181
Pension-Related OPEB Amounts	3,379	430	3,809
Public-Private Partnerships	2,329	56,244	58,573
City OPEB-Related Amounts	1,631	-	1,631
Total Deferred Inflows of Resources	59,556	72,429	131,985
NET POSITION			
Net Investment in Capital Assets	4,602,117	1,317,956	5,920,073
Restricted			
Debt Service	10,615	-	10,615
Transportation and Preserve Privilege Tax Activities	199,527	-	199,527
Capital Projects	163,698	-	163,698
Grants	3,113	-	3,113
Special Programs	19,976	-	19,976
Community Facilities Districts	144	-	144
Stadium Facility	6,269	-	6,269
Tourism Development	8,062	-	8,062
Endowments			
Expendable	27	-	27
Nonexpendable	675	-	675
Joint Venture Construction Deposits	-	5,500	5,500
Unrestricted	331,744	401,256	733,000
Total Net Position	\$ 5,345,967	\$ 1,724,712	\$ 7,070,679

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

Statement of Activities

For the Fiscal Year Ended June 30, 2025 (in thousands)

FUNCTIONS/PROGRAMS	Program Revenues					Charges for Services	Expenses			Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities													
General Government													
Mayor and City Council	\$	1,065	\$	88	\$	13	\$	-	\$	(964)	\$	-	(964)
City Clerk		1,159		74		-		-		(1,085)		-	(1,085)
City Attorney		8,636		1,563		-		-		(7,073)		-	(7,073)
City Auditor		960		145		77		-		(738)		-	(738)
City Court		7,823		-		3		-		(7,820)		-	(7,820)
City Manager		3,033		1,478		152		-		(1,403)		-	(1,403)
City Treasurer		12,338		7,728		-		-		(4,610)		-	(4,610)
Other General Government		8		-		-		-		(8)		-	(8)
Public Works		119,100		14		20,006		-	47,149	(51,931)		-	(51,931)
Community and Economic Development		50,400		23,531		2,936		-	-	(23,933)		-	(23,933)
Public Safety		221,440		16,421		10,622		909	909	(193,488)		-	(193,488)
Community Services		95,668		18,285		14,601		694	694	(62,088)		-	(62,088)
Administrative Services		32,174		203		822		-	-	(31,149)		-	(31,149)
Streetsight and Services Districts		577		602		-		-	-	25		-	25
Interest on Long-Term Debt		14,290		-		-		-	-	(14,290)		-	(14,290)
Total Governmental Activities		568,671		70,132		49,232		-	48,752	(400,555)		-	(400,555)
Business-type Activities													
Water Utility		126,586		164,928		-		17,166	17,166	-		55,508	55,508
Sewer Utility		46,530		57,329		-		12,300	12,300	-		23,099	23,099
Airport		11,009		11,649		-		1,608	1,608	-		2,248	2,248
Solid Waste		29,849		36,656		-		-	-	-		6,807	6,807
Total Business-type Activities		213,974		270,562		-		31,074	31,074	-		87,662	87,662
Total Government	\$	782,645	\$	340,694	\$	49,232	\$	79,826	79,826	(400,555)		87,662	(312,893)
General Revenues													
Taxes													
Property Taxes										74,129		-	74,129
Sales and Use Taxes										345,731		262	345,993
Franchise Taxes										14,423		-	14,423
Intergovernmental - Unrestricted													
State Shared Sales										37,509		-	37,509
State Revenue Sharing										51,990		-	51,990
Other										22,794		-	22,794
Interest and Investment Income										51,042		14,862	65,904
Other Revenue										15,926		-	15,926
Transfers										10,585		(10,585)	-
Total General Revenues and Transfers										624,129		4,539	628,668
Change in Net Position										223,574		92,201	315,775
Net Position - Beginning										5,122,393		1,632,511	6,754,904
Net Position - Ending										\$ 5,345,967	\$	1,724,712	\$ 7,070,679

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

Balance Sheet

Governmental Funds

June 30, 2025 (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	\$	270,405	\$	6,913	\$	161,254	\$	137,436	\$	-	\$	345,869	\$	921,877
Cash with Fiscal Agent		-		60,604		-		-		-		15,774		76,378
Receivable (net of allowance for uncollectibles)														
Interest		3,649		-		-		358		1		1,889		5,897
Privilege Tax		17,337		-		-		1,536		-		8,374		27,247
Transient Occupancy Tax		-		-		-		-		-		1,950		1,950
Property Tax		1,300		1,160		-		-		-		65		2,525
State Shared Sales Tax		1,860		-		-		-		-		-		1,860
Franchise Fee		3,320		-		-		-		-		70		3,390
Court		10,249		-		-		-		-		268		10,517
Highway User Tax		-		-		-		-		-		1,878		1,878
Auto Lieu Tax		536		-		-		-		-		-		536
Intergovernmental		-		-		4,724		15,814		8,977		11,421		40,936
Grants		-		-		-		-		2,583		2,133		4,716
Ambulance		1,233		-		-		-		-		-		1,233
Leases		34,130		-		-		-		-		57		34,187
Miscellaneous		5,429		-		112		-		-		3,193		8,734
Due from Other Funds		12,302		-		-		-		-		-		12,302
Advances to Other Funds		17,800		-		-		-		-		-		17,800
Supplies Inventory		556		-		-		-		-		-		556
Total Assets	\$	380,106	\$	68,677	\$	166,090	\$	155,144	\$	11,561	\$	392,941	\$	1,174,519

(continued)

Balance Sheet

Governmental Funds

June 30, 2025 (in thousands)

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

Liabilities	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
Accounts Payable	\$ 5,864	\$ -	\$ 9,020	\$ 5,612	\$ 1,094	\$ 4,005	\$ 25,595
Accrued Payroll and Benefits	13,138	-	7	-	-	752	13,897
Due to Other Funds	-	-	-	-	10,740	1,562	12,302
Matured Bond Interest Payable	-	5,006	-	-	-	2,145	7,151
Matured Bonds Payable	-	55,595	-	-	-	13,520	69,115
Unearned Revenue	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	9,116	9,116
Other	2,051	-	3	-	-	385	2,439
Due to Other Governments	4,499	-	-	-	-	50	4,549
Guaranty and Other Deposits	5,634	-	-	-	-	5	5,639
Other	2,779	-	-	-	-	153	2,932
Total Liabilities	33,965	60,601	9,030	5,612	11,834	31,693	152,735
Deferred Inflows of Resources							
Unavailable Revenues	12,481	553	4,835	16,231	10,724	16,231	61,055
Leases	29,377	-	-	-	-	2,203	31,580
Total Deferred Inflows of Resources	41,858	553	4,835	16,231	10,724	18,434	92,635
Total Liabilities and Deferred Inflows of Resources	75,823	61,154	13,865	21,843	22,558	50,127	245,370
Fund Balances (Deficits)							
Nonspendable	18,356	-	-	-	-	675	19,031
Restricted	-	7,523	-	133,301	3,443	315,979	460,246
Committed	-	-	152,225	-	70	28,158	180,453
Unassigned	285,927	-	-	-	(14,510)	(1,998)	269,419
Total Fund Balances (Deficits)	304,283	7,523	152,225	133,301	(10,997)	342,814	929,149
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 380,106	\$ 68,677	\$ 166,090	\$ 155,144	\$ 11,561	\$ 392,941	\$ 1,174,519

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, 2025 (in thousands)

Fund Balances - Total Governmental Funds	\$	929,149
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.		4,948,161
Equity in joint venture is not a financial resource; therefore, is not reported in the funds.		2,485
Prepayments, public-public partnerships, leases, and subscription-based information technology arrangements are not financial resources; therefore, are not reported in the funds.		114,477
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.		113,644
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.		(912,090)
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.		33,550
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.		116,591
Net Position of Governmental Activities	\$	5,345,967

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, 2025 (in thousands)

REVENUES										
Taxes - Local										
Property	\$	37,133	\$	34,176	\$	-	\$	-	1,951	\$
Transaction Privilege		196,727		-		-	17,611	-	95,724	
Transient Occupancy		-		-		-	-	-	34,735	
Light and Power Franchise		11,045		-		-	-	-	214	
Cable TV Franchise		3,164		-		-	-	-	-	
Salt River Project In-Lieu		197		-		-	-	-	-	
Other Taxes		971		-		-	-	7,824	-	
Taxes - Intergovernmental										
State Shared Sales		37,509		-		-	-	-	-	37,509
State Revenue Sharing		51,990		-		-	-	-	-	51,990
Auto Lieu Tax		13,170		-		-	-	-	-	13,170
Highway User Tax		-		-		-	-	19,136	-	19,136
Local Transportation Assistance Fund		-		-		-	-	610	-	610
Business and Liquor Licenses		2,672		-		-	-	49	-	2,721
Charges for Current Services										
Building and Related Permits		23,205		-	35	-	-	-	147	23,387
Recreation Fees		5,947		-	-	-	-	-	3,617	9,564
WestWorld Equestrian Facility Fees		7,035		-	-	-	-	-	1,410	8,445
Fire Fees		4,728		-	-	-	-	-	-	4,728
Fines, Fees, and Forfeitures										
Court		4,672		-	-	-	-	-	125	4,797
Parking		215		-	-	-	-	-	-	215
Photo Radar		2,719		-	-	-	-	-	-	2,719
Court Enhancement		-		-	-	-	-	-	2,272	2,272
Library		50		-	-	-	-	-	94	144
Police		-		-	-	-	-	-	105	105
Opioid Settlements		-		-	-	-	-	-	992	992
Property Rental		6,497		-	-	-	-	-	5,975	12,472
Interest Earnings		17,967	2	138	-	1,801	3	8,884	-	28,795
Net Increase in the Fair Value of Investments		22,077	-	-	-	-	-	170	-	22,247
Intergovernmental										
Federal Grants		-	-	-	-	-	6,159	-	13,504	19,663
State Grants		-	-	-	-	-	-	-	2,102	2,102
Miscellaneous		5,628	-	-	-	-	40,589	-	5,874	52,091
Developer Contributions		-	-	-	-	-	710	-	2,929	3,639
Streetlight and Services Districts		-	-	-	-	-	-	-	602	602
Contributions and Donations		-	-	-	-	-	300	-	2,841	3,141
Reimbursements from Outside Sources		1,204	-	-	-	-	-	-	772	1,976
Indirect Costs		9,345	-	-	-	-	-	-	-	9,345
Other		1,270	-	-	1	-	-	-	103	1,374
Total Revenues	\$	467,137	\$	34,178	\$	174	\$	47,761	\$	781,423

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	EXPENDITURES							Total Nonmajor Governmental Funds	Total Governmental Funds
	General	General Obligation Debt Service	General Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects				
Current									
General Government									
Mayor and City Council	\$ 1,082	\$ -	\$ -	\$ -	\$ -		13	\$	1,095
City Clerk	1,180	-	-	-	-		-		1,180
City Attorney	9,106	-	-	-	-		-		9,106
City Auditor	981	-	-	-	-		-		981
City Court	5,959	-	-	-	-		1,980		7,939
City Manager	3,026	-	-	-	-		-		3,026
City Treasurer	12,989	-	752	70	-		160		13,971
Other General Government	-	-	-	-	-		8		8
Public Works	27,508	-	856	2,528	-		26,030		56,922
Community and Economic Development	24,938	-	298	-	-		22,805		48,041
Public Safety	211,693	-	531	-	-		4,875		217,099
Community Services	53,270	-	75	-	-		20,783		74,128
Administrative Services	25,469	-	2,095	324	-		838		28,726
Streetlight and Services Districts	-	-	-	-	-		577		577
Debt Service									
Principal	3,490	55,595	-	-	-		21,723		80,808
Interest and Fiscal Charges	889	10,018	-	-	-		4,589		15,496
Bond Issuance Costs	-	522	-	-	-		-		522
Capital Outlay	1,277	-	65,313	32,484	26,361		19,456		144,891
Total Expenditures	382,857	66,135	69,920	35,406	26,361		123,837		704,516
Excess (Deficiency) of Revenues over (under) Expenditures	84,280	(31,957)	(69,746)	(15,994)	21,400		88,924		76,907
OTHER FINANCING SOURCES (USES)									
Transfers In	17,210	38,850	44,074	35,738	20		24,912		160,804
Transfers Out	(46,852)	-	(71)	(1)	-		(103,277)		(150,201)
Financing of Leases	1,587	-	-	-	-		353		1,940
Financing of Subscription-Based I.T. Arrangements	779	-	-	-	-		-		779
Sale of General Capital Assets	277	-	-	-	-		-		277
Issuance of Long-Term Capital-Related Debt	-	141	-	-	-		102,109		102,250
Premium on Long-Term Debt Issued	-	384	-	-	-		4,891		5,275
Total Other Financing Sources (Uses)	(26,999)	39,375	44,003	35,737	20		28,988		121,124
Net Change in Fund Balances	57,281	7,418	(25,743)	19,743	21,420		117,912		198,031
Fund Balances (Deficits) - Beginning	247,002	105	177,968	113,558	(32,417)		224,902		731,118
Fund Balances (Deficits) - Ending	\$ 304,283	\$ 7,523	\$ 152,225	\$ 133,301	\$ (10,997)		\$ 342,814		\$ 929,149

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, 2025 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	198,031
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.		54,699
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.		22,407
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.		(50,232)
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.		44,522
Current-year joint venture contributions are are reclassified from expenditures in the governmental funds to an increase in the investment in the joint venture in the government-wide statements.		177
When leases (in which the city is the lessee), public-public partnerships (PPPs) (in which the city is the operator), and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/Present Value of the Future Installment Payments (PVFIP)/Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP, PVFIP, and PVFSP are recognized as intangible assets and amortized over the lease/PPP/subscription term.		17
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.		(1,134)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(23,173)
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.		(29,106)
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.		1,206
When lease assets and subscription-based information technology arrangement assets (SBITAs) are retired, a loss is recognized on the statement of activities.		(18)
The change in net position of the Internal Service Funds is attributed to governmental activities.		6,091
Change in Net Position of Governmental Activities	\$	223,574

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, 2025 (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						
Property	\$ 38,384	38,384	\$ 32,272	\$ 4,861	\$ 37,133	\$ (6,112)
Transaction Privilege	183,003	183,003	196,727	-	196,727	13,724
Light and Power Franchise	10,282	10,282	11,045	-	11,045	763
Cable TV Franchise	3,328	3,328	3,164	-	3,164	(164)
Salt River Project In-Lieu	200	200	197	-	197	(3)
Other Taxes	965	965	971	-	971	6
Taxes - Intergovernmental						
State Shared Sales	37,126	37,126	37,509	-	37,509	383
State Revenue Sharing	51,842	51,842	51,990	-	51,990	148
Auto Lieu Tax	12,284	12,284	13,170	-	13,170	886
Business and Liquor Licenses	2,667	2,667	2,672	-	2,672	5
Charges for Current Services						
Building and Related Permits	21,770	21,770	23,205	-	23,205	1,435
Recreation Fees	5,607	5,607	5,947	-	5,947	340
WestWorld Equestrian Facility Fees	5,577	5,577	7,035	-	7,035	1,458
Fire Fees	7,206	7,206	4,728	-	4,728	(2,478)
Fines, Fees, and Forfeitures						
Court	4,241	4,241	4,672	-	4,672	431
Parking	261	261	215	-	215	(46)
Photo Radar	2,645	2,645	2,719	-	2,719	74
Library	43	43	50	-	50	7
Property Rental	6,241	6,241	6,847	(350)	6,497	606
Interest Earnings	15,596	15,596	16,620	1,347	17,967	1,024
Net Increase in the Fair Value of Investments	-	-	-	22,077	22,077	-
Intergovernmental						
Miscellaneous	4,354	4,354.00	5,628	-	5,628	1,274
Reimbursements from Outside Sources	415	415	1,204	-	1,204	789
Indirect Costs	9,227	9,227	9,345	-	9,345	118
Other	469	469	750	520	1,270	281
Total Revenues	\$ 423,733	\$ 423,733	\$ 438,682	\$ 28,455	\$ 467,137	\$ 14,949

(continued)

General Fund

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

For the Fiscal Year Ended June 30, 2025 (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	\$ 1,228	\$ 1,230	\$ 1,085	\$ (3)	\$ 1,082	\$ 145	
City Clerk	1,458	1,449	1,178	2	1,180	271	
City Attorney	9,017	9,227	9,025	81	9,106	202	
City Auditor	1,420	1,374	974	7	981	400	
City Court	6,096	6,161	5,941	18	5,959	220	
City Manager	2,944	3,357	3,017	9	3,026	340	
City Treasurer	13,642	13,565	12,893	96	12,989	672	
Public Works	30,020	28,937	27,450	58	27,508	1,487	
Community and Economic Development	26,117	26,415	25,019	(81)	24,938	1,396	
Public Safety	209,816	210,330	209,789	1,840	211,693	541	
Community Services	52,772	54,405	53,605	(335)	53,270	800	
Administrative Services	21,427	28,309	27,714	(2,245)	25,469	595	
Debt Service							
Principal	153	153	284	3,206	3,490	(131)	
Interest and Fiscal Charges	304	304	175	714	889	129	
Capital Outlay	-	-	-	1,277	1,277	-	
Total Expenditures	\$ 376,414	\$ 385,216	\$ 378,149	4,644	\$ 382,857	7,067	
Excess (Deficiency) of Revenues over (under)	47,319	38,517	60,533	23,811	84,280	22,016	
Expenditures							
OTHER FINANCING SOURCES (USES)							
Transfers In	15,815	15,815	17,210	-	17,210	1,395	
Transfers Out	(59,584)	(62,675)	(64,652)	17,800	(46,852)	(1,977)	
Financing of Leases	-	-	-	1,587	1,587	-	
Financing of SBITAs	-	-	-	779	779	-	
Sale of General Capital Assets	190	190	213	64	277	23	
Total Other Financing Sources (Uses)	(43,579)	(46,670)	(47,229)	20,230	(26,999)	(559)	
Net Change in Fund Balances	\$ 3,740	\$ (8,153)	\$ 13,304	\$ 44,041	\$ 57,281	\$ 21,457	

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, 2025 (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	\$	(350)
Lease Interest Revenue		1,347
Net Increase in the Fair Value of Investments		22,077
Maricopa County Qasimyar Settlement Property Tax Adjustment		4,861
In-Kind Revenue		520
Financing of Leases		1,587
Financing of SBITAs		779
Gain on Lease Termination		64
Total Revenue/Other Financing Source Adjustments		<u>30,885</u>

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

Payroll Accrual and Compensated Absences	1,606
Non-Cash Operating Expenditures	622
Non-Cash Debt Service Expenditures	50
Non-Cash Capital Expenditures	2,366
Transfer from Solid Waste Loan	(17,800)
Total Expenditure Adjustments	<u>(13,156)</u>

Net Increase in Fund Balance - Budget to GAAP	\$	<u>44,041</u>

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, 2025 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash and Investments	\$ 277,822	\$ 19,023	\$ 35,038	\$ 331,883	\$ 82,318
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	33	-	33	-
Charges for Services	23,166	399	3,780	27,345	-
Intergovernmental	61	320	-	381	-
Leases	-	1,409	-	1,409	-
Public-Private Partnerships	-	217	-	217	-
Interest	2,538	75	82	2,695	-
Miscellaneous	2,914	-	1	2,915	448
Supplies Inventory	-	-	-	-	1,624
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	76,154	1,381	-	77,535	-
Customer Advances and Deposits	1,694	421	-	2,115	-
Prepaid Items	2,730	42	102	2,874	219
Other Restricted Items					
Joint Venture Construction Deposits	5,500	-	-	5,500	-
Total Current Assets	392,579	23,320	39,003	454,902	84,609
Noncurrent Assets					
Lease Receivables	15	13,035	-	13,050	-
Intergovernmental Receivables	1,565	-	-	1,565	-
Public-Private Partnership Receivables	-	8,211	-	8,211	-
Net Pension OPEB Asset	899	55	327	1,281	203
Equity in Joint Ventures	78,102	8	96	78,206	4
Pollution Remediation Recoveries	46,276	-	-	46,276	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	2,080	-	-	2,080	-
Advanced Lease Payments	-	667	-	667	-
Capital Assets					
Land	42,318	9,564	1,111	52,993	-
Water Rights	87,171	-	-	87,171	-
Water System	1,564,960	-	-	1,564,960	-
Sewer System	774,962	-	-	774,962	-
Buildings and Improvements	-	161,341	7,943	169,284	19,003
Motor Vehicles	-	628	-	628	119,295
Machinery and Equipment	9,087	773	1,502	11,362	6,911
Furniture and Fixtures	1,659	217	148	2,024	-
Construction in Progress	156,944	223	1,871	159,038	8,903
Leases	138	16	9	163	27
Subscription-Based Information Technology Arrangements	652	1	8	661	514
Less Accumulated Depreciation/Amortization	(1,134,519)	(50,139)	(5,194)	(1,189,852)	(81,775)
Total Capital Assets (net)	1,503,372	122,624	7,398	1,633,394	72,878
Total Noncurrent Assets	1,632,309	144,600	7,821	1,784,730	73,085
Total Assets	2,024,888	167,920	46,824	2,239,632	157,694
Deferred Outflows of Resources					
Deferred Amounts on Refundings	9,141	-	-	9,141	-
Pension OPEB-Related Amounts	52	3	19	74	12
Pension-Related Amounts	4,232	250	1,604	6,086	969
Total Deferred Outflows of Resources	\$ 13,425	\$ 253	\$ 1,623	\$ 15,301	\$ 981

(continued)

Statement of Fund Net Position

Proprietary Funds

June 30, 2025 (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	\$ 17,434	\$ 101	\$ 625	\$ 18,160	\$ 2,673
Accrued Payroll and Benefits	1,183	71	522	1,776	332
Accrued Compensated Absences - Current	12	-	-	12	-
Accrued Compensated Absences - Due within one year	1,553	112	539	2,204	357
Unearned Revenue	-	-	-	-	21
Customer Advances and Deposits	1,694	421	-	2,115	-
Interest Payable	3,280	341	-	3,621	-
Matured Bonds and Other Payables	16,410	1,040	-	17,450	-
Bonds Payable and Other Payables - Due within one year	21,525	1,090	-	22,615	-
Leases - Due within one year	30	3	2	35	6
Subscription - Due within one year	104	-	1	105	-
Advance from Other Funds - Due within one year	-	-	1,553	1,553	-
Other Liabilities	-	-	-	-	9,839
Total Current Liabilities	63,225	3,179	3,242	69,646	13,228
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,287	134	447	1,868	175
Advanced Construction Payments	2,080	-	-	2,080	-
Advanced Lease Payments	-	667	-	667	-
Net Pension Liabilities	23,502	1,433	8,541	33,476	5,309
Bonds, Loans, and Other Payables - Due in more than one year	280,196	16,474	-	296,670	13,633
Pollution Remediation Obligation	46,276	-	-	46,276	-
Leases - Due in more than one year	41	5	2	48	12
Subscription - Due in more than one year	70	-	-	70	-
Advance from Other Funds - Due in more than one year	-	-	16,247	16,247	-
Total Noncurrent Liabilities	353,452	18,713	25,237	397,402	19,129
Total Liabilities	416,677	21,892	28,479	467,048	32,357
Deferred Inflows of Resources					
Pension OPEB-Related Amounts	302	18	110	430	68
Pension-Related Amounts	1,786	109	649	2,544	403
Leases	9	13,202	-	13,211	-
Public-Private Partnerships	-	56,244	-	56,244	-
Total Deferred Inflows of Resources	2,097	69,573	759	72,429	471
NET POSITION					
Net Investment in Capital Assets	1,254,072	56,714	7,170	1,317,956	72,040
Restricted for Joint Venture Construction Deposits	5,500	-	-	5,500	-
Unrestricted	359,967	19,994	12,039	392,000	53,807
Total Net Position	\$ 1,619,539	\$ 76,708	\$ 19,209	\$ 1,715,456	\$ 125,847

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, 2025 (in thousands)

Total Enterprise Fund Net Position	\$ 1,715,456

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.

9,256

Net Position of Business-type Activities	<u><u>\$ 1,724,712</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, 2025 (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	\$ 141,024	\$ -	\$ -	\$ 141,024	\$ -
Sewer Service Fees	55,767	-	-	55,767	-
Proprietary - Non-potable water fees	17,673	-	-	17,673	-
Solid Waste Fees	-	-	36,656	36,656	-
Airport Fees	-	11,649	-	11,649	-
Other Services	-	-	-	-	90,253
Other	7,793	-	-	7,793	1,927
Total Operating Revenues	<u>222,257</u>	<u>11,649</u>	<u>36,656</u>	<u>270,562</u>	<u>92,180</u>
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	77,376	-	-	77,376	-
Sewer Operations	22,760	-	-	22,760	-
Solid Waste Operations	-	-	28,069	28,069	-
Airport Operations	-	3,446	-	3,446	-
Other Services	-	-	-	-	76,577
Indirect Costs	6,577	730	2,038	9,345	-
Depreciation/ Amortization	60,820	6,243	384	67,447	12,159
Total Operating Expenses	<u>167,533</u>	<u>10,419</u>	<u>30,491</u>	<u>208,443</u>	<u>88,736</u>
Operating Income	<u>54,724</u>	<u>1,230</u>	<u>6,165</u>	<u>62,119</u>	<u>3,444</u>
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	262	-	262	-
Property Tax	-	-	-	-	1,259
Investment Income	13,185	949	728	14,862	-
Interest Expense	(5,696)	(599)	-	(6,295)	-
Gain (Loss) on Sale of Capital Assets	(135)	-	(146)	(281)	272
Net Non-Operating Revenue (Expenses)	<u>7,354</u>	<u>612</u>	<u>582</u>	<u>8,548</u>	<u>1,531</u>
Income Before Contributions and Transfers	<u>62,078</u>	<u>1,842</u>	<u>6,747</u>	<u>70,667</u>	<u>4,975</u>
Capital Contributions	29,466	1,608	-	31,074	2,179
Transfers In	-	-	-	-	128
Transfers Out	<u>(10,585)</u>	<u>-</u>	<u>-</u>	<u>(10,585)</u>	<u>(146)</u>
Change in Net Position	80,959	3,450	6,747	91,156	7,136
Total Net Position - Beginning	<u>1,538,580</u>	<u>73,258</u>	<u>12,462</u>	<u>1,624,300</u>	<u>118,711</u>
Total Net Position - Ending	<u>\$ 1,619,539</u>	<u>\$ 76,708</u>	<u>\$ 19,209</u>	<u>\$ 1,715,456</u>	<u>\$ 125,847</u>

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, 2025 (in thousands)

Net Change in Total Enterprise Fund Net Position	\$ 91,156

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.

1,045

Change in Net Position of Business-type Activities

<u>\$ 92,201</u>

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 214,007	\$ 11,312	\$ 36,567	\$ 261,886	\$ 90,371
Cash Payments to Suppliers for Goods/Services	(83,010)	(2,775)	(19,365)	(105,150)	(69,704)
Cash Payments to Employees for Services	(29,471)	(1,649)	(11,719)	(42,839)	(7,299)
Other Cash Receipts	7,793	-	-	7,793	1,927
Net Cash Provided by (Used for) Operating Activities	109,319	6,888	5,483	121,690	15,295
Cash Flows from NonCapital Financing Activities					
Property Tax	-	-	-	-	1,259
Transaction Privilege Tax	-	266	-	266	-
Transfers In	-	-	-	-	128
Transfers Out	(10,585)	-	-	(10,585)	(146)
Net Cash Provided by (Used for) NonCapital Financing Activities	(10,585)	266	-	(10,319)	1,241
Cash Flows from Capital and Related Financing Activities					
Bond Proceeds	118,002	-	-	118,002	-
Capital Contributions from:					
Water and Sewer Development Fees	4,864	-	-	4,864	-
Water and Sewer Development Fee Credit Agreements	(276)	-	-	(276)	-
Capital Grants	370	1,300	-	1,670	-
Acquisition and Construction of Property and Equipment	(95,046)	(2,611)	(1,595)	(99,252)	(19,524)
Principal Payments on Capital Debt and Other Payables	(18,943)	(994)	(5)	(19,942)	-
Interest Paid on Capital Debt	(6,474)	(706)	-	(7,180)	-
Investment in Joint Venture	(12,730)	(1)	(14)	(12,745)	-
Advances From Other Funds	-	-	17,800	17,800	-
Sale of Capital Assets	-	-	-	-	4,311
Net Cash Provided by (Used for) Capital and Related Financing Activities	(10,233)	(3,012)	16,186	2,941	(15,213)
Cash Flows from Investing Activities					
Income from Investments	12,843	939	722	14,504	-
Net Cash Provided by (Used for) Investing Activities	12,843	939	722	14,504	-
Net Increase (Decrease) in Cash and Cash Equivalents	101,344	5,081	22,391	128,816	1,323
Cash and Cash Equivalents at Beginning of Year	256,406	16,411	12,647	285,464	80,995
Cash and Cash Equivalents at End of Year	\$ 357,750	\$ 21,492	\$ 35,038	\$ 414,280	\$ 82,318

(continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2025 (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	\$ 277,822	\$ 19,023	\$ 35,038	\$ 331,883	\$ 82,318
Cash with Fiscal Agent	76,154	1,381	-	77,535	-
Restricted Cash and Investments	3,774	1,088	-	4,862	-
Total Cash and Cash Equivalents	<u>\$ 357,750</u>	<u>\$ 21,492</u>	<u>\$ 35,038</u>	<u>\$ 414,280</u>	<u>\$ 82,318</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities					
Cash Flows from Operating Activities					
Operating Income	\$ 54,724	\$ 1,230	\$ 6,165	\$ 62,119	\$ 3,444
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/Amortization	60,820	6,243	384	67,447	12,159
Current Year Pension/OPEB Contributions	(2,470)	(151)	(898)	(3,519)	(579)
Change in Equity in Joint Ventures	(2,641)	2	16	(2,623)	1
Change in Accounts Receivable	(1,026)	46	(89)	(1,069)	112
Change in Lease/PPP Receivable	-	2,291	-	2,291	-
Change in Miscellaneous Receivable	302	-	-	302	-
Change in Inventories	-	-	-	-	(213)
Change in Prepaid Expense	(555)	(16)	(39)	(610)	-
Change in Customer Deposits	268	2	-	270	-
Change in Accounts Payable	(1,470)	9	(305)	(1,766)	(2,472)
Change in Unearned Revenue	-	-	-	-	8
Change in Accrued Payroll and Compensated Absences	(205)	(57)	66	(196)	137
Change in Claims Payable	-	-	-	-	2,513
Change in Advanced Payments	-	(100)	-	(100)	-
Change in Net Pension/OPEB Liability	(446)	(162)	(476)	(1,084)	(272)
Change in Deferred Inflows of Resources Leases/PPPs	(1)	(2,576)	-	(2,577)	-
Change in Deferred Outflows of Resources Related to Pensions	1,385	97	448	1,930	325
Change in Deferred Inflows of Resources Related to Pensions	634	30	211	875	132
Total Adjustments	<u>54,595</u>	<u>5,658</u>	<u>(682)</u>	<u>59,571</u>	<u>11,851</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 109,319</u>	<u>\$ 6,888</u>	<u>\$ 5,483</u>	<u>\$ 121,690</u>	<u>\$ 15,295</u>
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities					
Initiation of SBITA	\$ (501)	\$ (1)	\$ (2)	\$ (504)	\$ -
Contributions of Capital Assets from Developers	24,508	-	-	24,508	-
Contributions of Capital Assets from Other Funds	-	-	-	-	2,179
Amortization of Bond Premium	2,065	84	-	2,149	-
Deferred Amount on Refundings	(1,194)	-	-	(1,194)	-
Retirement of Assets	135	-	-	135	(361)
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 25,013</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 25,094</u>	<u>\$ 1,818</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, 2025

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, 2025

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
City of Scottsdale Municipal Property Corporation (MPC)	- 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)	- 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)	- 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)	- 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)	- 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, 2025

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, 2025

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 and 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, self-insurance services, and computer replacements 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, 2025

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, 2025

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) or advances to other funds for long-term 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, 2025

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 is 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, 2025

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, 2025. 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, 2025, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2025, 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, 2025

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, 2025

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, 2025

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, 2025

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 No. 101, Compensated Absences

The city adopted the provisions of GASB Statement No 101, *Compensated Absences*, that was effective for periods beginning after December 15, 2023. The objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The statement requires that liabilities be recognized for leave that has not been used, is attributable to services already rendered, accumulates and the leave is more likely than not to be paid in cash or settled through non-cash means.

2. Governmental Accounting Standards No. 102, Certain Risk Disclosures

The city adopted the provisions of GASB Statement No 102, *Certain Risk Disclosures*, that was effective for periods beginning after June 15, 2024. The objective of this statement is to provide users of a government's financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with better information to understand and anticipate certain risks to a government's financial condition.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, \$929,149,000 differ from the net position of governmental activities, \$5,345,967,000 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, 2025

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

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	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
Assets	\$	\$	\$	\$	\$
Cash and Investments	921,877	-	82,318	-	1,004,195
Cash with Fiscal Agent	76,378	-	-	-	76,378
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Interest	5,897	-	-	-	5,897
Privilege Tax	27,247	-	-	-	27,247
Transient Occupancy Tax	1,950	-	-	-	1,950
Property Tax	2,525	-	-	-	2,525
State Shared Sales Tax	1,860	-	-	-	1,860
Franchise Fee	3,390	-	-	-	3,390
Court	10,517	-	-	-	10,517
Highway User Tax	1,878	-	-	-	1,878
Auto Lieu Tax	536	-	-	-	536
Intergovernmental	40,936	-	-	-	40,936
Grants	4,716	-	-	-	4,716
Ambulance	1,233	-	-	-	1,233
Leases	34,187	-	-	-	34,187
Miscellaneous	8,734	-	448	-	9,182
Due from Other Funds	12,302	-	-	(12,302)	-
Advances to Other Funds	17,800	-	-	-	17,800
Supplies Inventory	556	-	1,624	-	2,180
Prepaid Items	-	-	219	-	219
Capital Assets (net of accumulated depreciation)	-	4,948,161	72,860	-	5,021,021
Net Pension OPEB Asset	-	9,205	203	-	9,408
Equity in Joint Venture	-	2,485	4	-	2,489
Lease Assets (net of accumulated amortization)	-	4,234	16	-	4,250
Subscription-Based I.T. Arrangements (net of accumulated amortization)	-	10,288	2	-	10,290
Prepayments	-	26,214	-	-	26,214
Public-Public Partnerships (net of accumulated amortization)	-	73,741	-	-	73,741
Total Assets	1,174,519	5,074,328	157,694	(12,302)	6,394,239
Deferred Outflows of Resources	-	-	-	-	-
Deferred Amounts on Refundings	-	11,493	-	-	11,493
Pension-Related Amounts	-	101,188	969	-	102,157
Pension OPEB-Related Amounts	-	488	12	-	500
City OPEB-Related Amounts	-	475	-	-	475
Total Deferred Outflows of Resources	-	113,644	981	-	114,625
Total Assets and Deferred Outflows of Resources	\$ 1,174,519	\$ 5,187,972	\$ 158,675	(12,302)	\$ 6,508,864

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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	\$ 25,595	\$ -	\$ 2,673	\$ -	\$ 28,268
Accrued Payroll and Benefits	13,897	(56)	332	-	14,173
Due to Other Funds	12,302	-	9,256	(12,302)	9,256
Accrued Compensated Absences - Current	-	56	-	-	56
Accrued Compensated Absences - Due within one year	-	17,972	357	-	18,329
Accrued Compensated Absences - Due in more than one year	-	17,315	175	-	17,490
OPEB - Due within one year	-	127	-	-	127
Leases - Due within one year	-	1,598	6	-	1,604
Subscriptions - Due within one year	-	2,722	-	-	2,722
Matured Bond Interest Payable	7,151	-	-	-	7,151
Matured Bonds Payable	69,115	-	-	-	69,115
Uncamed Revenue	-	-	-	-	-
Intergovernmental	9,116	-	-	-	9,116
Other	2,439	-	21	-	2,460
Due to Other Governments	4,549	-	-	-	4,549
Guaranty and Other Deposits	5,639	-	-	-	5,639
Other	2,932	-	-	-	2,932
Bonds, Loans, Capital Leases, and Other Payables	-	881,561	28,793	-	910,354
Total Liabilities	152,735	921,295	41,613	(12,302)	1,103,341
Deferred Inflows of Resources					
Unavailable Revenue	61,055	(61,055)	-	-	-
Leases	31,580	-	-	-	31,580
Pension-Related Amounts	-	20,234	403	-	20,637
Pension-Related OPEB Amounts	-	3,311	68	-	3,379
Public-Private Partnerships	-	2,329	-	-	2,329
City OPEB-Related Amounts	-	1,631	-	-	1,631
Total Deferred Inflows of Resources	92,635	(33,550)	471	-	59,556
Total Liabilities and Deferred Inflows of Resources	245,370	887,745	42,084	(12,302)	1,162,897
Fund Balances/Net Position					
Total Fund Balances/Net Position	929,149	4,300,227	116,591	-	5,345,967
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 1,174,519	\$ 5,187,972	\$ 158,675	(12,302)	\$ 6,508,864

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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

(in thousands)

(f) 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	\$ 6,947,582
Accumulated depreciation	(1,999,421)
	<u>\$ 4,948,161</u>

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.

	\$ 2,485

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 7/1/24	\$ 23,596
Prepayments for fiscal year 2025	3,943
Prepayments reclassified to SBITA asset	(358)
Amortization of prepayments	(967)
	<u>\$ 26,214</u>

PPPs at 7/1/24	\$ 78,496
Retirement of PPPs	
Land improvements net additions for PPPs	4,794
Amortization of PPPs	(9,549)
	<u>\$ 73,741</u>

Leases at 7/1/24	\$ 3,756
Leases for fiscal year 2025	1,940
Loss on retirement	(18)
Amortization of leases	(1,444)
	<u>\$ 4,234</u>

SBITAs at 7/1/24	\$ 12,752
SBITAs for fiscal year 2025	1,430
Prepayments reclassified to SBITA asset	358
Amortization of SBITAs	(4,252)
	<u>\$ 10,288</u>

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.

Deferred amounts on refundings	\$ 11,493
Pension-related amounts	101,188
Total City OPEB amounts	475
Pension OPEB-related amounts	488
	<u>\$ 113,644</u>

(continued)

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, 2025, were:

Leases	\$ (4,578)
Bonds	(543,908)
Public-public partnerships	(4,084)
Subscription-based information technology arrangements	(7,930)
Contracts Payable	(1,373)
Issuance premium	(26,125)
Accrued vacation and sick leave pay	(35,287)
Total City OPEB liability	(893)
Pension-Related OPEB (Asset)	9,205
Net pension liabilities	(297,117)
	<u>\$ (912,090)</u>

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	\$ 3,908
Unavailable property tax revenue	1,190
Unavailable privilege tax revenue	7,578
Unavailable transient occupancy tax revenue	456
Unavailable intergovernmental revenue	41,961
Unavailable other revenue	5,962
	<u>\$ 61,055</u>

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	\$ (20,234)
Pension-related OPEB amounts	(3,311)
City OPEB-related amounts	(1,631)
Public-private partnerships	(2,329)
	<u>\$ (27,505)</u>

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

\$ 116,591

(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	\$ (12,302)
Reduction of amount due to other governmental fund	\$ 12,302

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, \$198,031,000 differs from the change in net position for the governmental activities, \$223,574,000 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, 2025

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 ⁽⁶⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
Taxes - Local							
Property	\$ 73,260	\$ (390)	\$ -	\$ 1,259	\$ -	\$ -	\$ 74,129
Transaction Privilege	310,062	715	-	-	-	-	310,777
Transient Occupancy	34,735	219	-	-	-	-	34,954
Light and Power Franchise	11,259	-	-	-	-	-	11,259
Cable TV Franchise	3,164	-	-	-	-	-	3,164
Salt River Project In-Lieu	197	-	-	-	-	-	197
Other Taxes	8,795	22	-	-	-	-	8,817
Taxes - Intergovernmental							
State Shared Sales	37,509	-	-	-	-	-	37,509
State Revenue Sharing	51,990	-	-	-	-	-	51,990
Auto Lieu Tax	13,170	-	-	-	-	-	13,170
Highway User Tax	19,136	-	-	-	-	-	19,136
Local Transportation Assistance Fund	610	-	-	-	-	-	610
Business and Liquor Licenses	2,721	2	-	-	-	-	2,723
Charges for Current Services							
Building and Related Permits	23,387	172	-	-	(28)	-	23,531
Recreation Fees	9,564	(16)	-	-	-	-	9,548
WestWorld Equestrian Facility Fees	8,445	(822)	-	-	-	-	7,623
Fire Fees	4,728	583	-	-	-	-	5,311
Fines, Fees, and Forfeitures							
Court	4,797	154	-	-	-	-	4,951
Parking	215	11	-	-	-	-	226
Photo Radar	2,719	7	-	-	-	-	2,726
Court Enhancement	2,272	-	-	-	-	-	2,272
Library	144	1	-	-	-	-	145
Police	105	-	-	-	-	-	105
Opitoid Settlements	992	(404)	-	-	-	-	588
Property Rental	12,472	210	-	-	-	-	12,682
Interest Earnings	28,795	-	-	-	-	-	28,795
Net Increase in Fair Value of Investments	22,247	-	-	-	-	-	22,247
Public-Private Partnerships	-	-	87	-	-	-	87
Intergovernmental							
Federal Grants	19,663	415	-	-	-	-	20,078
State Grants	2,102	144	-	-	-	-	2,246
Miscellaneous	52,091	(24,324)	-	-	-	-	27,767
Developer Contributions	3,639	-	-	-	-	-	3,639
Streetlight and Services Districts	602	-	-	-	-	-	602
Contributions and Donations	3,141	(825)	-	-	-	-	2,316
Reimbursements from Outside Sources	1,976	(175)	-	-	-	-	1,801
Indirect Costs	9,345	-	-	-	-	-	9,345
Other	1,374	2	-	-	(20)	-	1,356
Total Revenues	\$ 781,423	\$ (24,299)	\$ 87	\$ 1,259	\$ (48)	\$ -	\$ 758,422

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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	\$ 1,095	\$ (26)	\$ -	\$ (4)	\$ -	\$ -	\$ 1,065
City Clerk	1,180	(18)	-	(3)	-	-	1,159
City Attorney	9,106	(456)	15	(29)	-	-	8,636
City Auditor	981	(18)	-	(3)	-	-	960
City Court	7,939	(142)	45	(19)	-	-	7,823
City Manager	3,026	5	4	(2)	-	-	3,033
City Treasurer	13,971	(1,600)	29	(42)	(20)	-	12,338
Other General Government	8	-	-	-	-	-	8
Public Works	56,922	(694)	63,976	(382)	(862)	140	119,100
Community and Economic Development	48,041	(389)	3,077	(71)	(258)	-	50,400
Public Safety	217,099	(146)	6,425	(1,542)	(583)	187	221,440
Community Services	74,128	8,524	13,226	(251)	(103)	144	95,668
Administrative Services	28,726	511	2,943	(51)	(6)	51	32,174
Streets and Services Districts	577	-	-	-	-	-	577
Debt Service							
Principal	80,808	-	-	-	-	(80,808)	-
Interest and Fiscal Charges	15,496	-	-	-	-	(1,206)	14,290
Bond Insurance Costs	522	-	-	-	-	(522)	-
Capital Outlay	144,891	-	(144,891)	-	-	-	-
Total Expenditures/Expenses	\$ 704,516	\$ 5,551	\$ (55,151)	\$ (2,399)	\$ (1,832)	\$ (82,014)	\$ 568,671
OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION							
Net Transfers from Other Funds	\$ 10,603	\$ -	\$ -	\$ (18)	\$ -	\$ -	\$ 10,585
Capital Contributions	-	-	22,407	2,179	(1,784)	-	22,802
Financing of Leases	1,940	-	-	-	-	(1,940)	-
Financing of Subscription-Based I.T. Arrangements	779	-	-	-	-	(779)	-
Sale of General Capital Assets	277	(8)	(452)	272	-	-	89
Issuance of Long-Term Capital-Related Debt	102,250	-	-	-	-	(102,250)	-
Premium on Long-Term Debt Issued	5,275	-	-	-	-	(5,275)	-
Gain on In-Substance Defacement of Debt	-	-	-	-	-	330	330
Gain on Retirement of Lease Liability	-	-	-	-	-	17	17
Total	121,124	(8)	21,955	2,433	(1,784)	(109,897)	33,823
Net Change for the Year	\$ 198,031	\$ (29,858)	\$ 77,193	\$ 6,091	\$ -	\$ (27,883)	\$ 223,574

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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	\$	566
Charges for Services/Licenses		(81)
Fines, Fees, and Forfeitures		(231)
Intergovernmental		(22,631)
Other		(796)
	\$	<u>(23,173)</u>

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	\$	(2,470)
City OPEB expense		133
Pension expense		(44,176)
Reclassified expenses from lease and capital		6,812
Pension OPEB Expense		6,206
Change in equity interest for joint venture		(525)
Amortization of long-term prepaid leases		(967)
Amortization of public-public partnerships		(9,549)
Amortization of leased assets		(1,444)
Amortization of subscription-based I.T. arrangements		(4,252)
	\$	<u>(50,232)</u>

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	\$	44,251
Current-year Pension OPEB contributions		177
Current-year City OPEB contributions		94
	\$	<u>44,522</u>
	\$	<u>177</u>

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.

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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

(in thousands)

When lease assets are retired, a gain or loss is recognized on the statement of activities.

Lease retirements	\$ (18)
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.	\$ (1,134)

(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	\$ 144,891
Depreciation expense	(89,740)
Sale of capital assets	(452)
	\$ 54,699

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	\$ 22,407
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

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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	\$ 7,136
Internal payable to Enterprise Fund	(1,045)
	<u>\$ 6,091</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	\$ (1,832)
Reduction in expenditures/expenses - Governmental Funds	<u>\$ (1,832)</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	
Principal payments made	<u>\$ 80,808</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	\$ (1,917)
Amortization of bond premiums and discounts	3,123
	<u>\$ 1,206</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	\$ (1,940)
Subscription-based information technology arrangements	(779)
Long-Term capital-related debt	(102,250)
Premium on bonds	(5,275)
	<u>\$ (110,244)</u>

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

Retirement of lease liabilities	<u>\$ 17</u>

Any difference between the reacquisition price and the net carrying amount of debt defeased in-substance by existing resources, together with any deferred outflows of resources or deferred inflows of resources from prior refundings, should be recognized as a separately identified gain or loss in the period of the in-substance defeasance.

	<u>\$ 330</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The city prepared an annual budget that covered fiscal year 2025. The fiscal year 2025 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 timing differences for interfund loan arrangements.

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 2025.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, the Streetlight Districts Special Revenue Fund, and the Tourism Development Special Revenue Fund exceeded their expenditure appropriation by \$659,000, \$5,000, and \$734,000 respectively. The additional expenditures incurred were funded by available fund balances within the respective funds.

C. Deficit Fund Equity

The Community Development Block Grant Special Revenue Fund, HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$1,000, \$56,000, \$1,650,000, and \$10,997,000 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 had a deficit fund balance of \$54,000 due to timing differences in collections from the streetlight levy.

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, 2025

(in thousands)	FUND BALANCES							Total Nonmajor Governmental Funds	Total Governmental Funds
	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects				
Nonspendable									
Inventory	\$ 556	\$ -	\$ -	\$ -	\$ -		\$ -	-	\$ 556
Interfund Loan to Solid Waste	17,800	-	-	-	-		-	-	17,800
Endowment Funds	-	-	-	-	-		-	675	675
Total Nonspendable	18,356	-	-	-	-		-	675	19,031
Restricted									
Property Tax for Debt Service	-	7,523	-	-	-		-	-	7,523
Transaction Privilege and Highway User Tax for Transportation Capital Improvements	-	-	-	133,301	-		-	-	133,301
External Contributions for Capital Improvements	-	-	-	-	3,443		-	-	3,443
GO Bond Proceeds for Capital Improvements	-	-	-	-	-		-	90,148	90,148
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	-	-		-	32,087	32,087
Federal Grants for the Community Development Block Grant Program	-	-	-	-	-		-	206	206
Federal Grants for Housing Choice Voucher Program	-	-	-	-	-		-	810	810
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	-	-		-	165,144	165,144
Property Tax for Community Facility Districts	-	-	-	-	-		-	281	281
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	-	-	-	-	-		-	2,060	2,060
Contributions for City Court Jury Program Refreshments	-	-	-	-	-		-	14	14
APS Improvement District Fees for Underground Utility Upgrades	-	-	-	-	-		-	24	24
Contribution for the Stormwater Drainage System	-	-	-	-	-		-	253	253
Contributions for Community and Economic Development	-	-	-	-	-		-	1	1
Disbursements from AZ State Crime Laboratory Assessment Fund for Crime Lab Services	-	-	-	-	-		-	174	174
Annual Payment from IGA with the SRP-MIC for Forensic Lab Services	-	-	-	-	-		-	306	306
Contributions for the Fire Department	-	-	-	-	-		-	11	11
Fees for Police Department 30-Day Tow Program	-	-	-	-	-		-	126	126
Fees for Police Officer Safety Equipment	-	-	-	-	-		-	382	382
Contributions for the School Resource Officers Crisis Canine Program	-	-	-	-	-		-	262	262
Disbursements from the State of Arizona for Peace Officer Safety Equipment	-	-	-	-	-		-	44	44
Contributions for Paine and Vista Neighborhood Centers	-	-	-	-	-		-	27	27
Contributions for the Scottsdale Cares Program	-	-	-	-	-		-	8	8
Contributions for Human Services	-	-	-	-	-		-	290	290
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	-	-		-	20	20
Golf Course Surcharge for TPC Turf Removal Projects	-	-	-	-	-		-	18	18
Contributions for Parks and Recreation	-	-	-	-	-		-	521	521
Contributions for the Libraries	-	-	-	-	-		-	46	46
Disbursements from Endowments for the Libraries	-	-	-	-	-		-	144	144
Disbursements from AZ Supreme Court for Smart and Safe Expungements	-	-	-	-	-		-	13	13
Disbursements from the Smart and Safe AZ Fund for the Fire Department	-	-	-	-	-		-	2	2
Disbursements from the Smart and Safe AZ Fund for the Police Department	-	-	-	-	-		-	1,335	1,335
Disbursements from the Opioid Settlement Funds for Human Services	-	-	-	-	-		-	1,748	1,748
Transient Occupancy Tax for Destination Marketing	-	-	-	-	-		-	2,976	2,976
Contributions for Stadium Operations	-	-	-	-	-		-	7,834	7,834
MPC Funds for Debt Service	-	-	-	-	-		-	6,247	6,247
Stadium Surcharge for Debt Service	-	-	-	-	-		-	4	4
Endowment Funds	-	-	-	-	-		-	2,372	2,372
Total Restricted	-	\$ 7,523	\$ -	\$ 133,301	\$ 3,443		\$ -	\$ 315,979	\$ 460,246

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

(in thousands)	FUND BALANCES						Total Nonmajor Governmental Funds	Total Governmental Funds
	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Capital Projects	External Sources Capital Projects			
Committed								
General Fund Contribution for Capital Improvements	\$ -	\$ -	\$ 126,887	\$ -	\$ -	\$ -	\$ -	\$ 126,887
McCormick Railroad Park Improvements	-	-	362	-	-	-	-	362
In-Lieu Parking Fees for Parking Projects	-	-	530	-	-	-	-	530
In-Lieu Stormwater Fees for Drainage Improvements	-	-	231	-	-	-	-	231
Tourism Development Capital Projects	-	-	1,262	-	-	-	-	1,262
Court Capital Improvement Enhancement Projects	-	-	2,349	-	-	-	-	2,349
Forensic Science Intergovernmental Agreement Contribution	-	-	-	-	70	-	-	70
Risk Management Capital Improvement Contribution	-	-	8	-	-	-	-	8
Stormwater Utility Fee for Capital Improvements	-	-	14,535	-	-	-	-	14,535
Downtown Fees for Capital Improvements	-	-	1,072	-	-	-	-	1,072
Downtown Special Capital Improvements	-	-	3,044	-	-	-	-	3,044
Greater Airport Special Capital Improvements	-	-	1,742	-	-	-	-	1,742
Special Event Parking for Capital Improvements	-	-	203	-	-	-	-	203
Court Enhancement Fees for Upgrades to Court Operations	-	-	-	-	-	-	4,745	4,745
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	-	-	-	163	163
In-Lieu Stormwater Fees for Area Drainage Master Studies	-	-	-	-	-	-	20	20
Downtown Cultural Program for Public Works of Art	-	-	-	-	-	-	2,198	2,198
Developer Contributions to the Airport Cultural Trust for Public Works of Art	-	-	-	-	-	-	11	11
In-Lieu Fees for Public Improvement at Airport	-	-	-	-	-	-	5,665	5,665
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	-	-	-	103	103
Historic Preservation Program for Rehabilitation of Buildings	-	-	-	-	-	-	362	362
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	-	-	-	262	262
Cadet Competition Fees for the Scottsdale Police Department Cadet Program	-	-	-	-	-	-	21	21
Sponsorship Fees for Events at the Senior Centers	-	-	-	-	-	-	84	84
Sponsorship Fees for Parks and Recreation Programming	-	-	-	-	-	-	2	2
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	-	-	-	1,333	1,333
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	-	-	-	26	26
Contribution for Habitat Improvements in the Preserve	-	-	-	-	-	-	219	219
Allocation of Youth Sports Fee for Maintenance/Improvements of Athletic Fields	-	-	-	-	-	-	804	804
Allocation of Aquatic Fee for Maintenance/Improvements of Aquatic Facilities	-	-	-	-	-	-	57	57
Retail Sale Revenue for Library Collection Materials	-	-	-	-	-	-	52	52
Attendee Fees for Westworld User Area Improvements	-	-	-	-	-	-	4,137	4,137
Transient Occupancy Tax for Tourism Development	-	-	-	-	-	-	5,211	5,211
Excise Tax for Debt Reserve	-	-	-	-	-	-	2,683	2,683
Total Committed	-	-	152,225	-	70	-	28,158	180,453
Unassigned	285,927	-	-	-	(14,510)	-	(1,998)	269,419
Total Fund Balances	\$ 304,283	\$ 7,523	\$ 152,225	\$ 133,301	\$ (10,997)	\$ -	\$ 342,814	\$ 929,149

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025:

Net Position Restrictions (in thousands)

Water and Sewer

Restricted for Joint Venture Construction Deposits	<u>\$ 5,500</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025, the carrying amount of the city's deposits was \$185,836,633 and the bank balance was \$193,754,304. The \$7,917,671 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, 2025, \$73,198,968 of the city's deposits were 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, 2025

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	\$ 837,258	\$ 270,671	\$ 79,090	\$ 155,494	\$ 156,156	\$ 175,847
U.S. Government Agencies	234,192	41,635	29,567	73,945	33,326	55,719
Corporate Notes	101,013	49,448	51,565	-	-	-
Total Investments	\$ 1,172,463	\$ 361,754	\$ 160,222	\$ 229,439	\$ 189,482	\$ 231,566

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, 2025

- 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, 2025, meet the aforementioned criteria. Presented below are the ratings, as determined by S&P (unless otherwise noted), as of June 30, 2025, for each investment type (in thousands):

Investment Type	Total	A	A+	AA-	AA	AA+	AAAm	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 837,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 837,258
U.S. Government Agencies	234,192	-	-	-	-	234,192	-	-	-
Corporate Notes	101,013	15,050	11,489	32,040	11,111	8,886	-	22,437	-
Money Market Mutual Funds	135,833	-	-	-	-	-	135,833	-	-
Total Investments	\$ 1,308,296	\$ 15,050	\$ 11,489	\$ 32,040	\$ 11,111	\$ 243,078	\$ 135,833	\$ 22,437	\$ 837,258

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, 2025

The following is a listing by issuer of the city's investments as of June 30, 2025:

(dollars in thousands)

Issuer	Investment Type	Fair Value	Percent of Holdings
United States Treasury	U.S. Govt. Securities	\$ 837,258	71.41%
Federal Home Loan Bank (FHLB)	U.S. Govt. Agencies	115,756	9.87%
Federal National Mortgage Association (FNMA)	U.S. Govt. Agencies	60,595	5.17%
Federal Farm Credit Bank (FFCB)	U.S. Govt. Agencies	43,709	3.72%
Microsoft Corp.	Corporate Notes	17,323	1.48%
Chevron Corp.	Corporate Notes	15,622	1.33%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Govt. Agencies	14,132	1.21%
Novartis AG	Corporate Notes	11,898	1.01%
Wal-Mart Inc.	Corporate Notes	11,111	0.95%
Apple Inc.	Corporate Notes	8,886	0.76%
Pepsico Inc.	Corporate Notes	6,370	0.54%
Bank of America Corp.	Corporate Notes	5,119	0.44%
Johnson & Johnson	Corporate Notes	5,114	0.44%
Bank Of New York Mellon Corp.	Corporate Notes	5,028	0.43%
Bristol-Myers Squibb Co.	Corporate Notes	4,684	0.39%
Exxon Mobil Corp.	Corporate Notes	4,520	0.39%
JP Morgan Chase & Co.	Corporate Notes	4,428	0.38%
Target Corp.	Corporate Notes	910	0.08%
Total Investments		\$ 1,172,463	100.00%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Investments

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

Cash on Hand	\$ 18
Carrying Amount of City Deposits	185,837
Investments	1,308,296
Endowments	<u>702</u>
Total Cash and Investments	<u>\$ 1,494,853</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, 2025:

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	\$ -	\$ 837,258	\$ -
U.S. Government Agencies	-	234,192	-
Corporate Notes	-	101,013	-
	<u>\$ -</u>	<u>\$ 1,172,463</u>	<u>\$ -</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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.
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.

Total city cash and investments as of June 30, 2025 are reported as follows (in thousands):

Primary Government	
Cash and Investments	\$ 1,336,078
Cash with Fiscal Agent	153,913
Other Restricted Cash	<u>4,862</u>
Total Cash and Investments	<u><u>\$ 1,494,853</u></u>

Investment income is comprised of the following for the fiscal year ended June 30, 2025 (in thousands):

Net Interest	\$ 36,987
Net Increase in the Fair Value of Investments	<u>28,917</u>
Total Net Investment Income	<u><u>\$ 65,904</u></u>

The net increase in the fair value of investments for the fiscal year was \$28,917,000. 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, 2025

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, 2025, the amount of donor-restricted endowment funds available for authorization and expenditure is \$27,400.

C. Receivables

Receivables as of June 30, 2025, 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	\$ 1,300	\$ 1,160	\$ -	\$ -	\$ -	\$ 65	\$ 2,525
Court	69,753	-	-	-	-	1,820	71,573
Subtotal Property Taxes and Penalties	71,053	1,160	-	-	-	1,885	74,098
Other Local Taxes							
Privilege	17,337	-	-	1,536	-	8,374	27,247
Transient Occupancy	-	-	-	-	-	1,950	1,950
State Shared Sales	1,860	-	-	-	-	-	1,860
Franchise Fee	3,320	-	-	-	-	70	3,390
Auto Lieu	536	-	-	-	-	-	536
Highway User	-	-	-	-	-	1,878	1,878
Subtotal Other Local Taxes	23,053	-	-	1,536	-	12,272	36,861
Intergovernmental/Grants	-	-	4,724	15,814	11,560	13,554	45,652
Interest and Other							
Interest	3,649	-	-	358	1	1,889	5,897
Ambulance	1,979	-	-	-	-	-	1,979
Leases	34,130	-	-	-	-	57	34,187
Miscellaneous	5,496	-	112	-	-	3,642	9,250
Subtotal Interest and Other	45,254	-	112	358	1	5,588	51,313
Gross Receivables	139,360	1,160	4,836	17,708	11,561	33,299	207,924
Less: Allowances for Uncollectibles	(60,317)	-	-	-	-	(1,553)	(61,870)
Net Total Receivables	<u>\$ 79,043</u>	<u>\$ 1,160</u>	<u>\$ 4,836</u>	<u>\$ 17,708</u>	<u>\$ 11,561</u>	<u>\$ 31,746</u>	<u>\$ 146,054</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 \$196,598 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, 2025, the loan balances totaled \$2,096,930, 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 \$2,815,937 through June 30, 2025, and anticipates receiving additional estimated payments of \$8,772,309 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	\$ -	\$ 33	\$ -	\$ 33
Charges for Services	23,264	399	3,800	27,463
Intergovernmental	61	320	-	381
Interest	2,538	75	82	2,695
Lease	-	1,409	-	1,409
Public-Private Partnership	-	217	-	217
Miscellaneous	2,914	-	1	2,915
Gross Receivables	28,777	2,453	3,883	35,113
Less: Allowances for Uncollectibles	(98)	-	(20)	(118)
Net Total Receivables	\$ 28,679	\$ 2,453	\$ 3,863	\$ 34,995

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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.
- The city is a participant in the nationwide settlement agreements related to aqueous film forming foam and/or other products containing perfluoroalkyl substances. The city received \$2,201,795 through June 30, 2025, and anticipates receiving additional payments in the future. Due to the potential of additional litigation and settlements, the city cannot reasonably estimate the total amount of payments that will be received.
- Within the business-type activity the city has various long-term lease agreements and public-private partnerships and therefore these 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	\$ 1,190	\$ -
Transient Occupancy Tax	456	-
Court	3,908	-
Privilege Occupancy Tax	7,578	-
Intergovernmental	41,961	9,116
Other	5,962	2,439
Total	<u><u>\$ 61,055</u></u>	<u><u>\$ 11,555</u></u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows (in thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated/amortized				
Land	\$ 3,498,381	\$ 14,907	\$ -	\$ 3,513,288
Construction in Progress	229,048	157,026	(166,073)	220,001
Total Capital Assets, not being depreciated/amortized	3,727,429	171,933	(166,073)	3,733,289
Capital Assets, being depreciated/amortized				
Buildings and Land Improvements	911,407	91,996	(191)	1,003,212
Streets and Storm Drains	2,083,536	50,146	(29)	2,133,653
Motor Vehicles	103,792	13,160	(5,236)	111,716
Machinery and Equipment	108,223	17,974	(6,375)	119,822
Lease Buildings and Land Improvements	2,733	837	-	3,570
Lease Motor Vehicles	1,537	701	(261)	1,977
Lease Machinery and Equipment	1,945	403	-	2,348
Public-Public Partnership Buildings and Land Improvements	90,391	4,794	-	95,185
Subscription-Based I.T. Arrangements	18,346	1,791	(165)	19,972
Total Capital Assets, being depreciated/amortized	3,321,910	181,802	(12,257)	3,491,455
Less Accumulated depreciation/amortization:				
Buildings and Land Improvements	466,971	26,480	(99)	493,352
Streets and Storm Drains	1,403,493	55,785	(18)	1,459,260
Motor Vehicles	59,847	9,842	(4,923)	64,766
Machinery and Equipment	59,601	9,671	(5,979)	63,293
Lease Buildings and Land Improvements	1,342	476	-	1,818
Lease Motor Vehicles	622	477	(242)	857
Lease Machinery and Equipment	474	496	-	970
Public-Public Partnership Buildings and Land Improvements	11,895	9,549	-	21,444
Subscription-Based I.T. Arrangements	5,480	4,367	(165)	9,682
Total Accumulated depreciation/amortization	2,009,725	117,143	(11,426)	2,115,442
Total Capital Assets, being depreciated/amortized, net	1,312,185	64,659	(831)	1,376,013
Governmental Activities Capital Assets, net	\$ 5,039,614	\$ 236,592	\$ (166,904)	\$ 5,109,302

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

(in thousands):

	Business-type Activities		Beginning Balance		Increases		Decreases		Ending Balance	
Capital Assets, not being depreciated/amortized										
Land			\$	52,781	\$	212	\$	-	\$	52,993
Water Rights				87,171		-		-		87,171
Construction in Progress				100,385		106,002		(47,349)		159,038
Total Capital Assets, not being depreciated/amortized				240,337		106,214		(47,349)		299,202
Capital Assets, being depreciated/amortized										
Water System				1,537,909		27,137		(86)		1,564,960
Sewer System				751,173		23,836		(47)		774,962
Buildings and Land Improvements				144,096		25,374		(186)		169,284
Machinery and Equipment				9,460		2,704		(802)		11,362
Motor Vehicles				628		-		-		628
Furniture, Fixtures, and Office Equipment				1,835		346		(157)		2,024
Lease Machinery and Equipment				163		-		-		163
Subscription-Based I.T. Arrangements				157		504		-		661
Total Capital Assets, being depreciated/amortized				2,445,421		79,901		(1,278)		2,524,044
Less Accumulated depreciation/amortization:										
Water System				722,731		39,627		(4)		762,354
Sewer System				347,106		20,182		(1)		367,287
Buildings and Land Improvements				46,894		6,406		(62)		53,238
Machinery and Equipment				4,629		830		(800)		4,659
Motor Vehicles				628		-		-		628
Furniture, Fixtures, and Office Equipment				1,312		204		(133)		1,383
Lease Machinery and Equipment				47		35		-		82
Subscription-Based I.T. Arrangements				58		163		-		221
Total Accumulated depreciation/amortization				1,123,405		67,447		(1,000)		1,189,852
Total Capital Assets, being depreciated/amortized, net				1,322,016		12,454		(278)		1,334,192
Business-type Activities Capital Assets, net			\$	1,562,353	\$	118,668	\$	(47,627)	\$	1,633,394

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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

Governmental Activities	
City Clerk	\$ 2
Mayor and City Council	1
City Auditor	2
City Attorney	56
City Court	52
City Manager	12
Public Works	64,047
Community and Economic Development	3,092
Public Safety	8,704
City Treasurer	253
Community Services	22,879
Administrative Services	5,884
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>12,159</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 117,143</u>
Business-type Activities	
Water and Sewer System	\$ 60,820
Airport	6,243
Solid Waste	<u>384</u>
Total Depreciation/Amortization Expense - Business-type Activities	<u>\$ 67,447</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Construction Commitments

The city has active construction projects as of June 30, 2025. 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	\$ 1,410	\$ 1,097
Drainage and Flood Control	1,334	2,683
Fire Protection	21,653	4,847
Municipal Facilities	10,370	7,641
Neighborhood and Community	4,116	2,326
Parks	23,045	31,472
Police	8,895	4,148
Preservation	168	154
Streets	73,842	34,346
Technology	5,314	5,275
Traffic	1,044	145
Transit	398	338
Wastewater	34,911	25,795
Water	77,396	63,614
Total Construction Commitments	<u>\$ 263,896</u>	<u>\$ 183,881</u>
Governmental Activities		
General CIP Construction Capital Projects Fund	\$ 37,157	\$ 38,308
Transportation Capital Projects Fund	66,070	11,584
External Sources Capital Projects Fund	6,781	23,290
Nonmajor Governmental Funds	33,577	17,735
Internal Service Funds	4,892	812
Total Governmental Activities	<u>148,477</u>	<u>91,729</u>
Business-type Activities		
Water and Sewer Utility	112,368	89,442
Airport	1,410	1,097
Solid Waste	1,641	1,613
Total Business-type Activities	<u>115,419</u>	<u>92,152</u>
Total Construction Commitments	<u>\$ 263,896</u>	<u>\$ 183,881</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025, is as follows (in thousands):

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 10,740	External Sources Capital Projects Fund	\$ 10,740
General Fund	1,562	Nonmajor Governmental Funds	1,562
General Fund	<u>\$ 12,302</u>		<u>\$ 12,302</u>

The External Sources Capital Project Fund, HOME Special Revenue Fund, Grants Special Revenue Fund and Streetlight District Special Revenue Fund had deficit cash balances of \$10,740,000, \$198,000, \$1,298,000, and \$66,000 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	\$ 46,852	\$ 17,210
Debt Service - General Obligation Bond	-	38,850
Capital Projects - General CIP Construction	71	44,074
Capital Projects - Transportation	1	35,738
Capital Projects - External Sources	-	20
Nonmajor Governmental Funds	103,277	24,912
Total Governmental Funds	<u>150,201</u>	<u>160,804</u>
Enterprise Funds		
Water and Sewer Utility	10,585	-
Total Enterprise Funds	<u>10,585</u>	<u>-</u>
Internal Service Funds		
Self-Insurance	146	128
Total Internal Service Funds	<u>146</u>	<u>128</u>
Total Transfers	<u>\$ 160,932</u>	<u>\$ 160,932</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Advances to and Advances From Other Funds

In fiscal year 2025, the General Fund provided an interfund loan for \$17,800,000 to the Solid Waste Enterprise fund for the construction of a solid waste transfer station, The General Fund will be paid back with annual principal and interest payments of \$2,086,000, incorporating a three percent interest rate, through fiscal year 2036.

(in thousands):

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 17,800</u>	Solid Waste - Enterprise Fund	<u>\$ 17,800</u>

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, a document inserter, a warehouse for equipment storage and a temporary fire station. 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 \$368,436 for the fiscal year ended June 30, 2025. The city also made \$30,046 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 \$8,058,000 less accumulated amortization of \$3,727,000.

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

	<u>Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,639	\$ 249	\$ 1,888
2027	1,253	148	1,401
2028	653	78	731
2029	122	45	167
2030	20	41	61
2031-2035	118	192	310
2036-2040	162	163	325
2041-2045	218	127	345
2046-2050	292	78	370
2051-2055	202	17	219
Total	<u>\$ 4,679</u>	<u>\$ 1,138</u>	<u>\$ 5,817</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

City as Lessor

The city, as a lessor, has entered into lease agreements involving land, golf course, 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 \$9,628,708. This total includes \$5,524,836 of variable and other payments not previously included in the measurement of the lease receivable.

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 \$20,633,000, less accumulated amortization of \$9,903,000.

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

	Subscriptions		
	Principal	Interest	Total
2026	\$ 2,827	\$ 479	\$ 3,306
2027	1,975	317	2,292
2028	1,910	198	2,108
2029	1,393	84	1,477
Total	\$ 8,105	\$ 1,078	\$ 9,183

In addition to the amounts presented above, the city also had outflows of resources during the fiscal year totaling \$1,379,306 that were not included in the measurement of the subscription liability. This total consists of a \$39,900 variable amount that is based on the number of licenses used by the city related to the remote location court appearance software. Additionally, \$1,339,406 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 \$6,624,298 related to these agreements. These outflows were recorded as prepayments as of June 30, 2025.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 \$60,251,820 at fiscal year-end, which includes land improvements paid for by the city, and a related liability in the amount of \$1,667,322. 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 \$13,488,891 at fiscal year-end, which includes land improvements paid for by the city, and a related liability in the amount of \$2,416,796. 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
2026	\$ 318	\$ 163	\$ 481
2027	355	151	506
2028	394	137	531
2029	437	121	558
2030	482	103	585
2031-2035	2,098	228	2,326
Total	\$ 4,084	\$ 903	\$ 4,987

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, 2025

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 \$68,806,123 that are recognized as an asset by the city. The carrying value of these improvements at fiscal year-end is \$46,296,253 and the city reports a deferred inflow of resources at year-end pursuant to the public-private partnership agreement. As of June 30, 2025, the combined PPP receivable and deferred inflow of resources were reported in the amounts of \$8,428,000 and \$56,244,464, 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 \$897,963 for the fiscal year ended June 30, 2025.

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 \$178,753 for the fiscal year ended June 30, 2025.

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 \$1,335,630 and the city reports a deferred inflow of resources in the amount of \$2,328,727 at year-end pursuant to the public-private partnership agreement. The Silverado operator pays a percentage fee based on its sales; this fee totaled \$335,417 for the fiscal year ended June 30, 2025.

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 \$32,494 for the fiscal year ended June 30, 2025.

In total, the city had inflows of \$1,445,915 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, 2025

I. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding as of June 30, 2025. The totals shown are the principal amount outstanding, net of the amount due July 1, 2025.

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, 2025, 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, 2025, the city has \$78,950,900 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, a portion of the 2021B MPC Taxable Excise Tax Revenue Refunding Bonds, and the 2025 Municipal Property Corporation Excise Tax Revenue 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 \$647,324,252 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2025, payable through 2045. 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 2025 for MPC bonds is 6.59 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$545,833,134. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$48,129,646 and \$317,103,021, respectively.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 (CFD) General Obligation Bonds are issued by CFDs to fund public infrastructure benefiting properties within the district. Bonds are repaid through ad valorem taxes levied by the CFD and collected by the county. Property owners within the CFD bear all related costs; the city holds no liability for the CFD bonds.

CFDs are formed by property owner petition to the City Council. As the Board of Directors for the CFDs, the Council has adopted a formal policy to require a minimum property value-to-debt ratio of 3:1 before bond issuance and 5:1 after improvements. These ratios are verified through an appraisal paid by the CFD and administered by the city. Please see “Summary of Significant Accounting Policies” for additional information on the CFDs.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025

Bonds payable as of June 30, 2025, 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.	\$ 725
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.	29,675
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.	25,870
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.	4,605
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.	118,325
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.	25,175
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.	15,945
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.	30,300
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.	35,485
2025 Various Purpose Bonds (issued June 11, 2025) due in annual installments of \$3,350,000 to \$10,000,000 through July 1, 2045; interest at 4 percent to 5 percent. Original issue amount \$102,250,000.	102,250
Total General Obligation Bonds Outstanding	\$ 405,765

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, 2025

	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 \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 31,390
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.	6,175
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.	7,955
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.	7,355
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.	25,150
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.	56,200
Total Municipal Property Corporation Bonds Outstanding	\$ 134,225

	Bonds Outstanding (in thousands)
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.	\$ 2,450
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.	1,468
Total Community Facilities Districts General Obligation Bonds - Direct Placements	\$ 3,918
Total Bonds Payable Recorded in Governmental Activities	\$ 543,908

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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

Municipal Property Corporation Bonds	Bonds Outstanding (in thousands)
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.	\$ 28,080
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.	9,355
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.	5,200
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.	34,795
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.	27,415
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.	16,560
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.	57,765
2025 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 11, 2025) due in annual installments of \$1,600,000 to \$10,000,000 through July 1, 2045; interest at 4 percent to 5 percent. Original issue amount \$112,375,000.	<u>112,375</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 299,465</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 299,465</u>
Total Long-Term Bonds Payable	<u><u>\$ 843,373</u></u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025:

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	\$ 2,826,612,550	6% Constitutional Limit	\$ 847,983,765
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(388,518,000)	6% Bonds Outstanding	(17,247,000)
Excess Premium	<u>(15,287,622)</u>	Excess Premium	<u>(1,306,634)</u>
Available 20% Limitation Borrowing Capacity	<u><u>\$ 2,422,806,928</u></u>	Available 6% Limitation Borrowing Capacity	<u><u>\$ 829,430,131</u></u>

Arbitrage

Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds in higher yielding taxable securities, resulting in a profit. The city monitors compliance with federal arbitrage regulations and uses an independent consultant. It was determined that there is no arbitrage liability as of June 30, 2025.

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, 2025

The following table reflects refunded debt outstanding as of June 30, 2025, net of any amounts to be paid or retired by the trustee on July 1, 2025 (in thousands):

Refunded Debt Outstanding

2017 MPC Excise Tax Revenue Refunding Bonds	\$	38,350

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, 2025:

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.	\$	197
Contract payable to John Deere Financial for the financing of field maintenance equipment; due in annual installments through 2027; interest at 2.99 percent.		53
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.		1,123
	\$	1,373

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025 (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	\$ 359,110	\$ 102,250	\$ (55,595)	\$ 405,765	\$ 52,300
Municipal Property Corporation Bonds	153,515	-	(19,290)	134,225	12,640
Community Facilities Districts General Obligation Bonds - Direct Placements	5,273	-	(1,355)	3,918	1,400
Add Issuance Premiums	24,563	5,274	(3,712)	26,125	-
Total Bonds Payable	542,461	107,524	(79,952)	570,033	66,340
Contracts Payable - Direct Borrowings	1,786	-	(413)	1,373	423
Leases	3,997	1,940	(1,341)	4,596	1,604
Public-Public Partnerships	4,368	-	(284)	4,084	318
Subscriptions	9,811	779	(2,660)	7,930	2,722
Risk Management Claims	20,958	47,425	(44,911)	23,472	9,839
Compensated Absences	33,266	2,553	-	35,819	18,329
City Total Other Postemployment Benefit Liability	863	30	-	893	127
Net Pension Related Liabilities	318,881	-	(16,455)	302,426	-
Governmental Activities Long-Term Liabilities	\$ 936,391	\$ 160,251	\$ (146,016)	\$ 950,626	\$ 99,702

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, 2025, \$532,000 of accrued compensated absences is included in the above amount for internal service funds. The compensated absences presented in this note are net of the current liability of \$56,000 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	\$ 204,540	\$ 112,375	\$ (17,450)	\$ 299,465	\$ 22,615
Add Issuance Premiums	13,765	8,203	(2,148)	19,820	-
Total Bonds Payable	218,305	120,578	(19,598)	319,285	22,615
Leases	116	-	(33)	83	35
Subscriptions	84	199	(108)	175	105
Compensated Absences	4,399	-	(327)	4,072	2,204
Net Pension Liabilities	33,279	197	-	33,476	-
Pollution Remediation Obligation	45,186	1,090	-	46,276	-
Business-type Activities Long-Term Liabilities	\$ 301,369	\$ 122,064	\$ (20,066)	\$ 403,367	\$ 24,959

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2025:

Governmental Activities (in thousands)

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		
Fiscal Year	20% Limitation			6% Limitation					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 50,901	\$ 13,243	\$ 64,144	\$ 1,399	\$ 770	\$ 2,169	\$ 52,300	\$ 14,013	\$ 66,313
2027	40,138	11,406	51,544	772	676	1,448	40,910	12,082	52,992
2028	38,951	10,044	48,995	789	640	1,429	39,740	10,684	50,424
2029	29,418	8,773	38,191	772	602	1,374	30,190	9,375	39,565
2030	25,306	7,886	33,192	794	565	1,359	26,100	8,451	34,551
2031-2035	112,172	28,229	140,401	4,343	2,263	6,606	116,515	30,492	147,007
2036-2040	55,626	14,309	69,935	4,859	1,305	6,164	60,485	15,614	76,099
2041-2045	36,006	4,418	40,424	3,519	451	3,970	39,525	4,869	44,394
2046-2050	-	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-	-
Total	\$ 388,518	\$ 98,308	\$ 486,826	\$ 17,247	\$ 7,272	\$ 24,519	\$ 405,765	\$ 105,580	\$ 511,345

Municipal Property Corporation Bonds				Leases			Community Facilities Districts General Obligation Bonds - Direct Placements		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 12,640	\$ 3,801	\$ 16,441	\$ 1,604	\$ 243	\$ 1,847	\$ 1,400	\$ 120	\$ 1,520
2027	13,215	3,452	16,667	1,226	144	1,370	1,445	74	1,519
2028	16,450	3,092	19,542	639	77	716	204	27	231
2029	17,805	2,654	20,459	115	45	160	209	21	230
2030	10,655	2,170	12,825	20	41	61	215	16	231
2031-2035	52,835	5,453	58,288	118	192	310	445	17	462
2036-2040	10,625	788	11,413	162	163	325	-	-	-
2041-2045	-	-	-	218	127	345	-	-	-
2046-2050	-	-	-	292	78	370	-	-	-
2051-2055	-	-	-	202	17	219	-	-	-
Total	\$ 134,225	\$ 21,410	\$ 155,635	\$ 4,596	\$ 1,127	\$ 5,723	\$ 3,918	\$ 275	\$ 4,193

Public-Public Partnerships				Subscriptions			Contracts Payable - Direct Borrowings		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 318	\$ 163	\$ 481	\$ 2,722	\$ 469	\$ 3,191	\$ 423	\$ 79	\$ 502
2027	355	151	506	1,905	313	2,218	434	54	488
2028	394	137	531	1,910	198	2,108	435	30	465
2029	437	121	558	1,393	84	1,477	38	4	42
2030	482	103	585	-	-	-	43	2	45
2031-2035	2,098	228	2,326	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-	-
Total	\$ 4,084	\$ 903	\$ 4,987	\$ 7,930	\$ 1,064	\$ 8,994	\$ 1,373	\$ 169	\$ 1,542

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Governmental Activities (in thousands)

Fiscal Year	Total Governmental Activities		
	Principal	Interest	Total
2026	\$ 71,407	\$ 18,888	\$ 90,295
2027	59,490	16,270	75,760
2028	59,772	14,245	74,017
2029	50,187	12,304	62,491
2030	37,515	10,783	48,298
2031-2035	172,011	36,382	208,393
2036-2040	71,272	16,565	87,837
2041-2045	39,743	4,996	44,739
2046-2050	292	78	370
2051-2055	202	17	219
Total	\$ 561,891	\$ 130,528	\$ 692,419

Business-type Activities (in thousands)

Fiscal Year	Municipal Property Corporation Bonds			Subscriptions			Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 22,615	\$ 12,102	\$ 34,717	\$ 105	\$ 10	\$ 115	\$ 35	\$ 6	\$ 41
2027	23,465	10,728	34,193	70	4	74	27	4	31
2028	22,045	9,862	31,907	-	-	-	14	1	15
2029	22,830	9,062	31,892	-	-	-	7	-	7
2030	26,145	7,997	34,142	-	-	-	-	-	-
2031-2035	105,400	26,933	132,333	-	-	-	-	-	-
2036-2040	53,815	11,211	65,026	-	-	-	-	-	-
2041-2045	23,150	2,838	25,988	-	-	-	-	-	-
Total	\$ 299,465	\$ 90,733	\$ 390,198	\$ 175	\$ 14	\$ 189	\$ 83	\$ 11	\$ 94

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2026	\$ 22,755	\$ 12,118	\$ 34,873
2027	23,562	10,736	34,298
2028	22,059	9,863	31,922
2029	22,837	9,062	31,899
2030	26,145	7,997	34,142
2031-2035	105,400	26,933	132,333
2036-2040	53,815	11,211	65,026
2041-2045	23,150	2,838	25,988
Total	\$ 299,723	\$ 90,758	\$ 390,481

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 \$350,000 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, 2025, the city's general, worker's compensation, auto and property liabilities claims payable totaled \$20,311,000 and the self-insured benefits claims payable totaled \$3,161,000.

	Fiscal Year Ended June 30 (in thousands)	
	2025	2024
Claims Payable, July 1	\$ 20,958	\$ 21,145
Current Year Claims Incurred	47,425	40,552
Current Year Claim Payments	(44,911)	(40,739)
Claims Payable, June 30	\$ 23,472	\$ 20,958

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, 2025, is \$34.2 million.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

C. Subsequent Events

In August 2025, the city redeemed in advance of maturity the remaining \$725,000 of the General Obligation Bonds, Series 2014 and partially redeemed in advance \$2,670,000 of the General Obligation Refunding Bonds, Series 2015.

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, and its equity in the joint venture in the city's Water and Sewer Fund. For the fiscal year ended June 30, 2024, the latest audited information available from SROG, the city's equity in SROG was \$77,942,000 or 12.90 percent of the equity balance and the total cash deposit was \$5,500,438.

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, for SROG (the latest SROG Annual Comprehensive Financial Report available) may be obtained from the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona, 85012.

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, 2025

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, 2024, the latest audited information available from RWC, was \$3,074,560 or 6.27 percent of the RWC's total net position. The city contributed \$211,483 for the fiscal year ended June 30, 2025, and shared in estimated depreciation expenses of \$532,789, resulting in an estimated equity balance as of June 30, 2025, of \$2,753,254. 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 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, 2025

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, 18 projected cash flows, based on the prior 18 years of historical costs and weighted equally, were used to calculate an average annual cost. To estimate the NGTF liability, twelve projected cash flows, based on the prior twelve 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 49 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 2025 reimbursable outlays for operating and monitoring the CGTF were \$665,192 and for the NGTF were \$279,214. 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, 2025

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, 2025 is presented below (in thousands). The ASRS and PSPRS OPEB plans are not included in the notes as the liability (asset) and related deferred inflows of resources, deferred outflows of resources, and OPEB expense are not material to the financial statements:

Plan Description	Governmental Activities	Business-Type Activities	Total
Deferred Outflows of Resources			
PSPRS - Police	\$ 43,823	\$ -	\$ 43,823
PSPRS - Fire	34,500	-	34,500
ASRS	23,834	6,086	29,920
OPEB - City	475	-	475
OPEB - ASRS	289	74	363
OPEB - PSPRS Police	65	-	65
OPEB - PSPRS Fire	146	-	146
Total	<u>\$ 103,132</u>	<u>\$ 6,160</u>	<u>\$ 109,292</u>
Liabilities/(Assets)			
PSPRS - Police	\$ 138,842	\$ -	\$ 138,842
PSPRS - Fire	33,273	-	33,273
ASRS	130,311	33,476	163,787
OPEB - City	893	-	893
OPEB - ASRS	(4,982)	(1,281)	(6,263)
OPEB - PSPRS Police	(3,698)	-	(3,698)
OPEB - PSPRS Fire	(728)	-	(728)
Total	<u>\$ 293,911</u>	<u>\$ 32,195</u>	<u>\$ 326,106</u>
Deferred Inflows of Resources			
PSPRS - Police	\$ 6,048	\$ -	\$ 6,048
PSPRS - Fire	4,688	-	4,688
ASRS	9,901	2,544	12,445
OPEB - City	1,631	-	1,631
OPEB - ASRS	1,675	430	2,105
OPEB - PSPRS Police	944	-	944
OPEB - PSPRS Fire	760	-	760
Total	<u>\$ 25,647</u>	<u>\$ 2,974</u>	<u>\$ 28,621</u>
Pension/OPEB Expense			
PSPRS - Police	\$ 22,814	\$ -	\$ 22,814
PSPRS - Fire	9,312	-	9,312
EODCRS - Elected	15	-	15
ASRS	12,382	2,743	15,125
OPEB - City	(133)	-	(133)
OPEB - ASRS	(792)	(203)	(995)
OPEB - PSPRS Police	(612)	-	(612)
OPEB - PSPRS Fire	(144)	-	(144)
Total	<u>\$ 42,842</u>	<u>\$ 2,540</u>	<u>\$ 45,382</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025

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, 2025

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 12.12 percent of their annual pay for the fiscal year ended June 30, 2025, and the city's required contribution rate was 12.05 percent during the same period. In addition, the city was required by statute to contribute at the actuarially determined rate of 10.14 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, 2025, 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 \$17,843,000 for the fiscal year ended June 30, 2025.

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

As of June 30, 2025, the city reported a liability of \$163,786,607 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024. As of June 30, 2024, the city's proportion was 1.02357 percent, which was an increase of 0.02749 percent over its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the city recognized a collective pension expense of \$15,125,081. As of June 30, 2025, 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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,142	\$ -
Net difference between projected and actual earnings on pension plan investments	-	10,460
Changes in proportion and differences between city contributions and proportionate share of contributions	2,935	1,985
City contributions subsequent to the measurement date	17,843	-
Total	<u>\$ 29,920</u>	<u>\$ 12,445</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

The \$17,843,000 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, 2026. 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:

2026	\$ (5,202)
2027	9,402
2028	(2,648)
2029	(1,920)
2030	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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, 2023, 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, 2020, actuarial valuation.

The expected long-term rate of return on ASRS pension plan investments was determined to be 4.60 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 long-term expected 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, 2025

Asset Class	Target Asset Allocation	Real Return Geometric Basis
Public Equity	44%	4.48%
Credit	23%	4.40%
Real Estate	17%	6.05%
Private Equity	10%	6.11%
Interest Rate Sensitive	6%	-0.45%
Total	100%	

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 the 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):

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the collective net pension liability	\$ 250,791	\$ 163,787	\$ 91,276

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, 2025

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 a nine-member board known as the Board of Trustees (the Board) and 234 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, 2025

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, 2025

Membership Tier

Average Monthly Compensation

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 refund 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, 2025

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 reaches 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%	1.0%
80-90%	1.5%
>90%	2.0%

Employees Covered by Benefit Terms

As of June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	412
Inactive plan members entitled to but not yet receiving benefits	181
Active plan members	<u>566</u>
Total	<u><u>1,159</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, 2025

The city's pension-related contribution rates for fiscal year ended June 30, 2025 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%	8.42%	9.00%
Employer contribution rate	56.73%	56.73%	56.73%	51.23%	51.81%

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%	9.67%	3.00%	9.00%
Employer contribution rate	27.74%	27.74%	27.74%	4.00%	22.27%	3.00%	21.61%

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 (42.81 percent for police employees and 12.61 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, 2025, were \$26,715,103.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 \$3,888,314 of fire insurance premium tax for the city's fire pension plan for the fiscal year ended June 30, 2025. 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 \$172,115,171 was measured as of June 30, 2024, 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, 2024, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	1.25%-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).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

The actuarial assumptions used in the June 30, 2024, valuation 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 to the June 30, 2022, actuarial evaluation.

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, 2024, as provided by PSPRS, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash - Mellon	2%	0.89%
Diversifying Strategies	5%	3.15%
Core Bonds	6%	2.44%
International Public Equity	16%	4.47%
Private Credit	20%	6.24%
U.S. Public Equity	24%	3.62%
Global Private Equity	27%	7.05%
	<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, 2025

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/24	\$ 472,820	\$ 316,310	\$ 156,510
Changes for the year:			
Service cost	7,538	-	7,538
Interest	33,740	-	33,740
Changes of benefit terms	-	-	-
Differences between expected and actual experience	10,134	-	10,134
Changes of assumptions	-	-	-
Contributions-employer	-	33,608	(33,608)
Contributions-employee	-	3,135	(3,135)
Net investment income	-	32,505	(32,505)
Benefit payments, including refunds of employee contributions	(23,492)	(23,492)	-
Administrative expense	-	(168)	168
Tiers 1 & 2 adjustment	-	-	-
Other changes	-	-	-
Net changes	<u>27,920</u>	<u>45,588</u>	<u>(17,668)</u>
Balances at 6/30/25	<u>\$ 500,740</u>	<u>\$ 361,898</u>	<u>\$ 138,842</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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 6/30/24	\$ 200,350	\$ 165,880	\$ 34,470
Changes for the year:			
Service cost	6,073	-	6,073
Interest	14,665	-	14,665
Changes of benefit terms	-	-	-
Differences between expected and actual experience	5,017	-	5,017
Changes of assumptions	-	-	-
Contributions-employer	-	7,436	(7,436)
Contributions-employee	-	2,369	(2,369)
Net investment income	-	17,230	(17,230)
Benefit payments, including refunds of employee contributions	(5,487)	(5,487)	-
Administrative expense	-	(83)	83
Other changes	-	-	-
Net changes	<u>20,268</u>	<u>21,465</u>	<u>(1,197)</u>
Balances at 6/30/25	<u>\$ 220,618</u>	<u>\$ 187,345</u>	<u>\$ 33,273</u>

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	\$ 207,178	\$ 138,842	\$ 83,165
Fire net pension liability	66,101	33,273	6,496

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025

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

For the fiscal year ended June 30, 2025, the city recognized pension expense of \$31,587,319 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$539,339 related to the defined contribution plan and the defined contribution portion of the hybrid plan. As of June 30, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,372	\$ 3,732
Changes of assumptions	4,236	-
Net difference between projected and actual earnings on pension plan investments	-	7,004
City contributions subsequent to the measurement date	26,715	-
Total	\$ 78,323	\$ 10,736

City contributions subsequent to the measurement date of \$26,715,103 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, 2026. 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:

2026	\$ 5,388
2027	15,753
2028	5,109
2029	2,922
2030	3,949
Thereafter	7,751

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, 2025

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, 2025, the city recognized pension expense of \$14,801.

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, 2025

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

As of June 30, 2025, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>675</u>
Total	<u><u>685</u></u>

Total OPEB Liability

The city's total OPEB liability of \$893,000 was measured as of July 1, 2024, as determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2024, 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	4.21%
Healthcare Cost Trend Rates*	8.60% for 2025, 8.00% for 2026, and then decreasing 0.5% per year to an ultimate rate of 4.50% for 2033 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 2025 to 2026.

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, 2025

Changes in the Total OPEB Liability

(in thousands)

	<u>Total OPEB Liability</u>
Balance at 6/30/24	\$ 863
Changes for the year:	
Service cost	44
Interest	35
Differences between expected and actual experience	30
Changes of assumptions/other inputs	48
Benefit payments	<u>(127)</u>
Net changes	<u>30</u>
Balance at 6/30/25	<u><u>\$ 893</u></u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 4.13 percent as of the beginning of the year to 4.21 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, 2024.
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, 2024.
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, 2024.
5. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2025 to fiscal year 2026, 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, 2025

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 (3.21 percent) or 1-percentage-point higher (5.21 percent) than the current discount rate (in thousands):

	1% Decrease (3.21%)	Discount Rate (4.21%)	1% Increase (5.21%)
Total OPEB Liability	\$ 934	\$ 893	\$ 854

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 (6.5 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.5 percent decreasing to 5.50 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB Liability	\$ 835	\$ 893	\$ 958

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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

For the year ended June 30, 2025, the city recognized OPEB expense of \$(133,358). As of June 30, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205	\$ 813
Change of assumptions or other inputs	176	818
City benefits paid subsequent to the measurement date	94	-
Total	<u>\$ 475</u>	<u>\$ 1,631</u>

The \$93,906 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, 2026. 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	\$ (213)
2026	(213)
2027	(202)
2028	(202)
2029	(173)
Thereafter	(247)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025, was \$17,559,767. 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, 2025, 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 2.5 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, 2024.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the collective net pension liability	1.023570%	0.996080%	1.040000%	1.009390%	1.050150%	1.049160%	1.055510%	1.056820%	1.086990%	1.099760%
City's proportionate share of the collective net pension liability	\$163,787	\$161,180	\$169,751	\$132,630	\$181,954	\$152,665	\$147,206	\$164,632	\$175,451	\$171,304
City's covered payroll	\$143,550	\$130,436	\$124,179	\$110,303	\$114,944	\$110,748	\$105,097	\$107,259	\$101,917	\$101,962
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	114.10%	123.57%	136.70%	120.24%	158.30%	137.85%	140.07%	153.49%	172.15%	168.01%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

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.azasrs.gov/content/annual-reports>.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 7,538	\$ 7,212	\$ 7,411	\$ 7,480	\$ 7,402	\$ 8,154	\$ 7,103	\$ 7,841	\$ 6,603	\$ 6,537
Interest	33,740	31,619	30,359	29,613	27,559	25,834	24,013	22,479	20,570	19,640
Changes of benefit terms	-	-	-	-	-	-	-	2,584	17,206	-
Differences between expected and actual experience	10,134	13,210	3,688	(4,736)	12,629	3,089	4,880	(921)	(3,203)	87
Changes of assumptions or other inputs	-	-	4,494	-	-	9,123	-	9,028	11,023	-
Benefit payments, including refunds of employee contributions	(23,492)	(22,333)	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)
Net change in total pension liability	27,920	29,708	23,349	10,817	30,052	29,688	20,521	24,772	38,140	11,429
Total pension liability-beginning	472,820	443,112	419,763	408,946	378,894	349,206	328,685	303,913	265,773	254,344
Total pension liability-ending (a)	\$ 500,740	\$ 472,820	\$ 443,112	\$ 419,763	\$ 408,946	\$ 378,894	\$ 349,206	\$ 328,685	\$ 303,913	\$ 265,773
Plan fiduciary net position										
Contributions-employer	\$ 33,608	\$ 33,258	\$ 56,142	\$ 19,326	\$ 18,854	\$ 17,387	\$ 15,491	\$ 11,888	\$ 11,710	\$ 8,970
Contributions-employee	3,135	3,315	3,216	3,063	3,649	3,343	3,438	3,983	4,230	3,944
Net investment income	32,505	22,790	(11,123)	55,286	2,471	9,714	11,537	17,104	842	5,113
Benefit payments, including refunds of employee contributions	(23,492)	(22,333)	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)
Administrative expense	(168)	(133)	(200)	(260)	(202)	(171)	(176)	(152)	(122)	(125)
Other changes	-	9	11	21	35	9	(34)	(134)	(36)	(243)
Net change in plan fiduciary net position	45,588	36,906	25,443	55,896	7,269	13,770	14,781	16,450	2,565	2,824
Plan fiduciary net position-beginning	316,310	279,404	253,961	198,065	190,914	177,208	162,427	145,977	143,412	140,588
Adjustment to Beginning of Year	-	-	-	-	(118)	(64)	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 361,898	\$ 316,310	\$ 279,404	\$ 253,961	\$ 198,065	\$ 190,914	\$ 177,208	\$ 162,427	\$ 145,977	\$ 143,412
City's net pension liability-ending ((a) - (b))	\$ 138,842	\$ 156,510	\$ 163,708	\$ 165,802	\$ 210,881	\$ 187,980	\$ 171,998	\$ 166,258	\$ 157,936	\$ 122,361
Plan fiduciary net position as a percentage of the total pension liability	72.27%	66.90%	63.05%	60.50%	48.43%	50.39%	50.75%	49.42%	48.03%	53.96%
Covered payroll	\$ 38,996	\$ 35,260	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075
City's net pension liability as a percentage of covered payroll	356.04%	443.87%	473.97%	497.17%	601.33%	594.35%	493.27%	490.49%	477.54%	369.95%

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, 2025

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 6,073	\$ 6,197	\$ 5,760	\$ 5,565	\$ 5,457	\$ 6,378	\$ 5,098	\$ 5,009	\$ 4,077	\$ 3,720
Interest	14,665	13,099	11,338	10,094	8,387	7,654	6,729	5,797	4,655	4,037
Changes of benefit terms	-	-	-	-	-	-	-	639	7,546	-
Differences between expected and actual experience	5,017	7,071	12,155	4,095	11,517	(2,821)	(2,004)	1,264	(877)	994
Changes of assumptions or other inputs	-	-	347	-	-	2,644	-	1,881	3,303	-
Benefit payments, including refunds of employee contributions	(5,487)	(3,501)	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)
Net change in total pension liability	20,268	22,866	26,252	17,296	23,656	12,596	8,776	13,658	17,274	8,060
Total pension liability-beginning	200,350	177,484	151,232	133,936	110,280	97,684	88,908	75,250	57,976	49,916
Total pension liability-ending (a)	<u>\$ 220,618</u>	<u>\$ 200,350</u>	<u>\$ 177,484</u>	<u>\$ 151,232</u>	<u>\$ 133,936</u>	<u>\$ 110,280</u>	<u>\$ 97,684</u>	<u>\$ 88,908</u>	<u>\$ 75,250</u>	<u>\$ 57,976</u>
Plan fiduciary net position										
Contributions-employer	\$ 7,436	\$ 6,540	\$ 10,807	\$ 4,704	\$ 4,219	\$ 2,830	\$ 6,061	\$ 2,737	\$ 2,974	\$ 2,247
Contributions-employee	2,369	3,378	6,882	2,502	2,653	2,946	1,981	2,551	2,693	2,337
Net investment income	17,230	11,892	(5,847)	30,222	1,307	4,863	5,520	7,822	358	2,046
Benefit payments, including refunds of employee contributions	(5,487)	(3,501)	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)
Administrative expense	(83)	(63)	(105)	(140)	(106)	(85)	(85)	(70)	(52)	(50)
Tiers 1 & 2 adjustment	-	(783)	-	-	-	-	-	-	-	-
Other changes	-	(1)	11	-	-	-	16	1	(53)	12
Net change in plan fiduciary net position	21,465	17,462	8,400	34,830	6,368	9,295	12,446	12,109	4,490	5,901
Plan fiduciary net position-beginning	165,880	148,418	140,018	105,188	98,906	89,627	77,181	65,072	60,582	54,681
Adjustment to Beginning of Year	-	-	-	-	(86)	(16)	-	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ 187,345</u>	<u>\$ 165,880</u>	<u>\$ 148,418</u>	<u>\$ 140,018</u>	<u>\$ 105,188</u>	<u>\$ 98,906</u>	<u>\$ 89,627</u>	<u>\$ 77,181</u>	<u>\$ 65,072</u>	<u>\$ 60,582</u>
City's net pension liability (asset)-ending ((a) - (b))	<u>\$ 33,273</u>	<u>\$ 34,470</u>	<u>\$ 29,066</u>	<u>\$ 11,214</u>	<u>\$ 28,748</u>	<u>\$ 11,374</u>	<u>\$ 8,057</u>	<u>\$ 11,727</u>	<u>\$ 10,178</u>	<u>\$ (2,606)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	84.92%	82.80%	83.62%	92.58%	78.54%	89.69%	91.75%	86.81%	86.47%	104.49%
Covered payroll	\$ 27,619	\$ 28,153	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420
City's net pension liability as a percentage of covered payroll	120.47%	122.44%	107.58%	43.53%	114.14%	46.66%	34.74%	49.90%	47.34%	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, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 17,843	\$ 17,223	\$ 15,538	\$ 14,892	\$ 13,242	\$ 13,151	\$ 12,384	\$ 11,437	\$ 11,540	\$ 11,049
Employer contributions in relation to the statutorily required contribution	(17,843)	(17,223)	(15,538)	(14,892)	(13,242)	(13,151)	(12,384)	(11,437)	(11,540)	(11,049)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 150,120	\$ 143,550	\$ 130,436	\$ 124,179	\$ 110,303	\$ 114,944	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917
Contributions as a percentage of covered payroll	11.89%	12.00%	11.91%	11.99%	12.01%	11.44%	11.18%	10.88%	10.76%	10.84%

Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

Schedule of City Contributions Public Safety Personnel Retirement System (Police) Last Ten Fiscal Years (dollars in thousands)										
	2025	2024 ⁽¹⁾	2023 ⁽¹⁾	2022 ⁽¹⁾	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 22,412	\$ 22,161	\$ 22,196	\$ 20,225	\$ 19,171	\$ 18,850	\$ 17,296	\$ 15,341	\$ 12,328	\$ 11,635
Employer contributions in relation to the actuarially determined contribution	(22,412)	(33,621)	(33,501)	(56,145)	(19,171)	(18,850)	(17,296)	(15,341)	(12,328)	(11,635)
Contribution deficiency (excess)	\$ -	\$ (11,460)	\$ (11,305)	\$ (35,920)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 40,035	\$ 38,996	\$ 35,260	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073
Contributions as a percentage of covered payroll	55.98%	86.22%	95.01%	162.55%	57.49%	53.75%	54.69%	44.00%	36.37%	35.18%

⁽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, 2025

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

	2025	2024	2023	2022 ⁽¹⁾	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 8,191	\$ 7,018	\$ 6,155	\$ 5,533	\$ 4,731	\$ 4,167	\$ 4,577	\$ 3,924	\$ 2,840	\$ 2,626
Employer contributions in relation to the actuarially determined contribution	(8,191)	(7,018)	(6,155)	(10,533)	(4,731)	(4,167)	(4,577)	(3,924)	(2,840)	(2,626)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (5,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 31,657	\$ 27,619	\$ 28,153	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498
Contributions as a percentage of covered payroll	25.87%	25.41%	21.86%	38.99%	18.36%	16.54%	18.78%	16.92%	12.09%	12.22%

⁽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, 2025

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

Total OPEB Liability and Related Ratios Last Eight Fiscal Years (dollars in thousands)		2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability									
Service cost	\$	44	\$ 79	\$ 101	\$ 323	\$ 274	\$ 236	\$ 241	\$ 260
Interest		35	31	19	58	83	89	85	67
Differences between expected and actual experience		30	197	(106)	(236)	(587)	(261)	(278)	(230)
Changes of assumptions/other inputs		48	(72)	(62)	(1,100)	121	126	(38)	125
Benefit payments		(127)	(71)	(84)	(137)	(145)	(116)	(101)	(111)
Net change in total OPEB liability		30	164	(132)	(1,092)	(254)	74	(91)	111
Total OPEB liability-beginning		863	699	831	1,923	2,177	2,103	2,194	2,083
Total OPEB liability-ending		<u>\$ 893</u>	<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		\$ 60,114	\$ 55,666	\$ 53,352	\$ 50,459	\$ 53,874	\$ 55,023	\$ 52,970	\$ 51,137
Total OPEB liability as a percentage of covered-employee payroll		1.49%	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, 2025

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, 2023, 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, 2020, actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2024, 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 measurement date June 30, 2024, 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.

Other Postemployment Benefit Plan

No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

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 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, 2025 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 247,847	\$ 5,055	\$ 92,265	\$ 702	\$ 345,869
Cash with Fiscal Agent	6	15,768	-	-	15,774
Receivables (net of allowance for uncollectibles)					
Interest	1,885	4	-	-	1,889
Privilege Tax	8,374	-	-	-	8,374
Transient Occupancy Tax	1,950	-	-	-	1,950
Property Tax	5	60	-	-	65
Franchise Fee	70	-	-	-	70
Court	268	-	-	-	268
Highway User Tax	1,878	-	-	-	1,878
Intergovernmental	11,421	-	-	-	11,421
Grants	2,133	-	-	-	2,133
Leases	57	-	-	-	57
Miscellaneous	3,193	-	-	-	3,193
Total Assets	<u>\$ 279,087</u>	<u>\$ 20,887</u>	<u>\$ 92,265</u>	<u>\$ 702</u>	<u>\$ 392,941</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 1,857	\$ -	\$ 2,148	\$ -	\$ 4,005
Accrued Payroll and Benefits	752	-	-	-	752
Due to Other Funds	1,562	-	-	-	1,562
Matured Bond Interest Payable	-	2,145	-	-	2,145
Matured Bonds Payable	-	13,520	-	-	13,520
Unearned Revenue					
Intergovernmental	9,116	-	-	-	9,116
Other	385	-	-	-	385
Due to Other Governments	50	-	-	-	50
Guaranty and Other Deposits	5	-	-	-	5
Other	153	-	-	-	153
Total Liabilities	<u>13,880</u>	<u>15,665</u>	<u>2,148</u>	<u>-</u>	<u>31,693</u>
Deferred Inflows of Resources					
Unavailable Revenues	16,205	26	-	-	16,231
Leases	2,203	-	-	-	2,203
Total Deferred Inflows of Resources	<u>18,408</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>18,434</u>
Total Liabilities and Deferred Inflows of Resources	<u>32,288</u>	<u>15,691</u>	<u>2,148</u>	<u>-</u>	<u>50,127</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	675	675
Restricted	223,291	2,513	90,148	27	315,979
Committed	25,475	2,683	-	-	28,158
Unassigned	(1,967)	-	(31)	-	(1,998)
Total Fund Balances (Deficits)	<u>246,799</u>	<u>5,196</u>	<u>90,117</u>	<u>702</u>	<u>342,814</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 279,087</u>	<u>\$ 20,887</u>	<u>\$ 92,265</u>	<u>\$ 702</u>	<u>\$ 392,941</u>

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes - Local					
Property	\$ 151	\$ 1,800	\$ -	\$ -	\$ 1,951
Transaction Privilege	95,724	-	-	-	95,724
Transient Occupancy	34,735	-	-	-	34,735
Light and Power Franchise	214	-	-	-	214
Other Taxes	7,824	-	-	-	7,824
Taxes - Intergovernmental					
Highway User Tax	19,136	-	-	-	19,136
Local Transportation Assistance Fund	610	-	-	-	610
Business and Liquor Licenses	49	-	-	-	49
Charges for Current Services					
Building and Related Permits	147	-	-	-	147
Recreation Fees	3,617	-	-	-	3,617
WestWorld Equestrian Facility Fees	1,410	-	-	-	1,410
Fines, Fees, and Forfeitures					
Court	125	-	-	-	125
Court Enhancement	2,272	-	-	-	2,272
Library	94	-	-	-	94
Police	105	-	-	-	105
Opioid Settlements	992	-	-	-	992
Property Rental	5,975	-	-	-	5,975
Interest Earnings	8,485	12	387	-	8,884
Net Increase in the Fair Value of Investments	-	-	102	68	170
Intergovernmental					
Federal Grants	13,504	-	-	-	13,504
State Grants	2,102	-	-	-	2,102
Miscellaneous	5,874	-	-	-	5,874
Developer Contributions	2,929	-	-	-	2,929
Streetlight and Services Districts	602	-	-	-	602
Contributions and Donations	2,841	-	-	-	2,841
Reimbursements from Outside Sources	772	-	-	-	772
Other	103	-	-	-	103
Total Revenues	<u>210,392</u>	<u>1,812</u>	<u>489</u>	<u>68</u>	<u>212,761</u>
EXPENDITURES					
Current					
General Government					
Mayor and City Council	13	-	-	-	13
City Court	1,980	-	-	-	1,980
City Treasurer	160	-	-	-	160
Other General Government	8	-	-	-	8
Public Works	26,030	-	-	-	26,030
Community and Economic Development	22,805	-	-	-	22,805
Public Safety	4,745	-	130	-	4,875
Community Services	20,714	-	31	38	20,783
Administrative Services	836	-	2	-	838
Streetlight and Services Districts	577	-	-	-	577
Debt Service					
Principal	1,078	20,645	-	-	21,723
Interest and Fiscal Charges	268	4,321	-	-	4,589
Capital Outlay	2,268	-	17,188	-	19,456
Total Expenditures	<u>81,482</u>	<u>24,966</u>	<u>17,351</u>	<u>38</u>	<u>123,837</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>128,910</u>	<u># (23,154)</u>	<u>(16,862)</u>	<u>30</u>	<u>88,924</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,318	23,437	157	-	24,912
Transfers Out	(103,277)	-	-	-	(103,277)
Financing of Leases	353	-	-	-	353
Issuance of Long-Term Capital-Related Debt	-	-	102,109	-	102,109
Premium on Long-Term Debt Issued	-	-	4,891	-	4,891
Total Other Financing Sources (Uses)	<u>(101,606)</u>	<u>23,437</u>	<u>107,157</u>	<u>-</u>	<u>28,988</u>
Net Change in Fund Balances (Deficits)	27,304	283	90,295	30	117,912
Fund Balances (Deficits) - Beginning	219,495	4,913	(178)	672	224,902
Fund Balances (Deficits) - Ending	<u>\$ 246,799</u>	<u>\$ 5,196</u>	<u>\$ 90,117</u>	<u>\$ 702</u>	<u>\$ 342,814</u>

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2025 (in thousands)

ASSETS	Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	McDowell Mountain Ranch CFD	DC Ranch CFD
Cash and Investments	\$ 28,868	\$ 303	\$ -	\$ -	\$ 1,023	\$ 160,361	\$ 57	\$ 24
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Interest	715	-	-	-	-	918	-	-
Privilege Tax	2,986	-	-	-	-	5,388	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	5
Franchise Fee	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-
Highway User Tax	1,878	-	-	-	-	-	-	-
Intergovernmental	-	-	-	2,649	-	-	-	-
Grants	-	207	201	1,725	-	-	-	-
Leases	-	57	-	-	-	-	-	-
Miscellaneous	49	2,097	-	-	6	-	-	-
Total Assets	\$ 34,496	\$ 2,664	\$ 201	\$ 4,374	\$ 1,029	\$ 166,667	\$ 57	\$ 29

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

Liabilities	\$ 1,177	\$ 143	\$ -	\$ 77	\$ 1	\$ 53	\$ -	\$ -
Accounts Payable	406	17	3	47	22	-	-	-
Accrued Payroll and Benefits	-	-	198	1,298	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenue	-	124	-	2,649	-	-	-	-
Intergovernmental	-	5	-	303	-	-	-	-
Other	-	10	-	-	39	-	-	-
Due to Other Governments	-	5	-	-	-	-	-	-
Guaranty and Other Deposits	-	-	-	-	-	-	-	-
Other	-	-	-	-	151	-	-	-
Total Liabilities	\$ 1,583	\$ 304	\$ 201	\$ 4,374	\$ 213	\$ 53	\$ -	\$ -
Deferred Inflows of Resources	-	-	-	-	-	-	-	-
Unavailable Revenues	826	2,304	56	1,650	6	1,470	-	-
Leases	-	57	-	-	-	-	-	-
Total Deferred Inflows of Resources	\$ 826	\$ 2,361	\$ 56	\$ 1,650	\$ 6	\$ 1,470	-	-
Total Liabilities and Deferred Inflows of Resources	\$ 2,409	\$ 2,665	\$ 257	\$ 6,024	\$ 219	\$ 1,523	-	-
Fund Balances (Deficits)	-	-	-	-	-	-	-	-
Restricted	32,087	206	-	-	810	165,144	57	29
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(207)	(56)	(1,650)	-	-	-	-
Total Fund Balances (Deficits)	\$ 32,087	\$ (1)	\$ (56)	\$ (1,650)	\$ 810	\$ 165,144	\$ 57	\$ 29
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 34,496	\$ 2,664	\$ 201	\$ 4,374	\$ 1,029	\$ 166,667	\$ 57	\$ 29

(continued)

Nonmajor Special Revenue Governmental Funds

ASSETS		Via Linda Road CFD		Waterfront Commercial CFD		Streetsight Districts		Special Programs		Tourism Development		Stadium Facility		Total	
Cash and Investments	\$	52	\$	-	\$	-	-	\$	37,484	\$	13,541	\$	6,134	\$	247,847
Cash with Fiscal Agent		-		6		-	-								6
Receivables (net of allowance for uncollectibles)															
Interest		-		-		-			68		142		42		1,885
Privilege Tax		-		-		-			-		-		-		8,374
Transient Occupancy Tax		-		-		-			-		1,950		-		1,950
Property Tax		-		-		-			-		-		-		5
Franchise Fee		-		-		-			70		-		-		70
Court		-		-		-			268		-		-		268
Highway User Tax		-		-		-			-		-		-		1,878
Intergovernmental		-		-		-			8,772		-		-		11,421
Grants		-		-		-			-		-		-		2,133
Leases		-		-		-			-		-		-		57
Miscellaneous		-		-		-			-		-		-		
Total Assets	\$	52	\$	6	\$	12	12	\$	717	\$	189	\$	123	\$	3,193
									47,379		15,822		6,299		279,087

	\$	-	\$	-	\$	-	\$	259	\$	145	\$	2	\$	1,857
	\$	-	\$	-	\$	-	\$	212	30	-	-	15	752	
	\$	-	\$	-	\$	-	\$	-	-	-	-	-	1,562	
Accounts Payable	-	-	-	-	-	-	-	6,343	-	-	-	-	9,116	
Accrued Payroll and Benefits	-	-	-	-	-	-	-	64	-	-	-	13	385	
Due to Other Funds	-	-	-	-	-	-	-	1	-	-	-	-	50	
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	5	
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	153	
Other	-	-	-	-	-	-	-	2	-	-	-	-	13,880	
Due to Other Governments	-	-	-	-	-	-	-	6,881	175	-	-	30	-	
Guaranty and Other Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unavailable Revenues	-	-	-	-	-	-	-	9,415	456	-	-	22	16,205	
Leases	-	-	-	-	-	-	-	-	2,146	-	-	-	2,203	
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	9,415	2,602	-	-	22	18,408	
Total Liabilities and Deferred Inflows of Resources	-	-	-	-	-	-	-	16,296	2,777	-	-	52	32,288	
Fund Balances (Deficits)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted	52	-	6	-	-	-	-	10,819	7,834	-	-	6,247	223,291	
Committed	-	-	-	-	-	-	-	20,264	5,211	-	-	-	25,475	
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	(1,967)	
Total Fund Balances (Deficits)	52	-	6	-	-	-	-	31,083	13,045	-	-	6,247	246,799	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	52	-	6	-	-	-	-	47,379	15,822	-	-	6,299	279,087	

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

Nonmajor Special Revenue Governmental Funds
For the Fiscal Year Ended June 30, 2025 (in thousands)

REVENUES		Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	McDowell Mountain Ranch CFD	DC Ranch CFD
Taxes - Local		\$	\$	\$	\$		\$	\$	\$
Property									137
Transaction Privilege		34,077	-	-	-		61,647	-	-
Transient Occupancy		-	-	-	-		-	-	-
Light and Power Franchise		-	-	-	-		-	-	-
Other Taxes		-	-	-	-		-	-	-
Taxes - Intergovernmental									
Highway User Tax		19,136	-	-	-		-	-	-
Local Transportation Assistance Fund		610	-	-	-		-	-	-
Business and Liquor Licenses		-	-	-	-		-	-	-
Charges for Current Services		-	-	-	-		-	-	-
Building and Related Permits		31	-	-	-		-	-	-
Recreation Fees		-	-	-	-		-	-	-
WestWorld Equestrian Facility Fees		-	-	-	-		-	-	-
Fines, Fees, and Forfeitures		-	-	-	-		-	-	-
Court		-	-	-	-		-	-	-
Court Enhancement		-	-	-	-		-	-	-
Library		-	-	-	-		-	-	-
Police		-	-	-	-		-	-	-
Opioid Settlements		-	-	-	-		-	-	-
Property Rental		5	111	-	-		-	-	-
Interest Earnings		2,849	2	-	-		4,820	-	1
Intergovernmental		-	1,508	505	1,906	9,585	-	-	-
Federal Grants		-	-	-	2,102	-	-	-	-
State Grants		-	-	-	1,533	-	-	-	-
Miscellaneous		193	-	-	-	-	-	-	-
Developer Contributions		-	-	-	-	-	-	-	-
Streetslight and Services Districts		-	-	-	-	-	-	-	-
Contributions and Donations		-	-	-	1,191	-	-	-	-
Reimbursements from Outside Sources		477	-	-	-	17	-	-	-
Other		-	-	-	-	-	-	-	-
Total Revenues		57,378	1,621	505	6,732	9,602	66,467	-	138
EXPENDITURES									
Current									
General Government									
Mayor and City Council		-	-	-	13	-	-	-	-
City Court		-	-	-	-	-	-	-	-
City Treasurer		-	-	-	-	-	-	13	120
Other General Government		-	-	-	-	-	-	5	-
Public Works		25,159	-	-	871	-	-	-	-
Community and Economic Development		-	-	-	7	-	-	-	-
Public Safety		-	-	-	3,440	-	-	-	-
Community Services		2,239	1,626	254	1,698	9,620	-	-	-
Administrative Services		14	-	-	822	-	-	-	-
Streetslight and Services Districts		-	-	-	-	-	-	-	-
Debt Service		-	-	-	-	-	-	-	-
Principal		48	-	-	-	-	-	-	-
Interest and Fiscal Charges		1	-	-	-	-	-	-	-
Capital Outlay		1,626	-	-	263	1	-	-	-
Total Expenditures		29,087	1,626	254	7,114	9,621	-	18	120
Excess (Deficiency) of Revenues over (under) Expenditures		28,291	(5)	251	(382)	(19)	66,467	(18)	18
OTHER FINANCING SOURCES (USES)									
Transfers In		1	-	-	-	-	-	207	-
Transfers Out		(34,738)	(26)	-	-	-	(39,007)	-	-
Financing of Leases		78	-	-	271	-	-	-	-
Total Other Financing Sources (Uses)		(34,659)	(26)	-	271	-	(39,007)	207	-
Net Change in Fund Balances (Deficits)		(6,368)	(31)	251	(111)	(19)	27,460	189	18
Fund Balances (Deficits) - Beginning		38,455	30	(307)	(1,539)	829	137,684	(132)	11
Fund Balances (Deficits) - Ending		32,087	(1)	(56)	(1,650)	810	165,144	57	29

(continued)

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

REVENUES										
	Via Linda Road CFD	Waterfront Commercial CFD	Streetsight Districts	Special Programs	Tourism Development	Stadium Facility	Total			
Taxes - Local										
Property	\$ -	\$ -	\$ 14	\$ -	\$ -	\$ -	\$ 151			
Transaction Privilege	-	-	-	-	-	-	95,724			
Transient Occupancy	-	-	-	-	34,735	-	34,735			
Light and Power Franchise	-	-	-	214	-	-	214			
Other Taxes	-	-	-	7,824	-	-	7,824			
Taxes - Intergovernmental										
Highway User Tax	-	-	-	-	-	-	19,136			
Local Transportation Assistance Fund	-	-	-	-	-	-	610			
Business and Liquor Licenses	-	-	-	49	-	-	49			
Charges for Current Services	-	-	-	-	-	-	-			
Building and Related Permits	-	-	-	116	-	-	147			
Recreation Fees	-	-	-	3,588	-	29	3,617			
WestWorld Equestrian Facility Fees	-	-	-	1,410	-	-	1,410			
Fines, Fees, and Forfeitures	-	-	-	-	-	-	-			
Court	-	-	-	125	-	-	125			
Court Enhancement	-	-	-	2,272	-	-	2,272			
Library	-	-	-	94	-	-	94			
Police	-	-	-	105	-	-	105			
Opioid Settlements	-	-	-	992	-	-	992			
Property Rental	-	-	-	769	3,938	1,152	5,975			
Interest Earnings	1	-	-	231	410	171	8,485			
Intergovernmental	-	-	-	-	-	-	-			
Federal Grants	-	-	-	-	-	-	13,504			
State Grants	-	-	-	-	-	-	2,102			
Miscellaneous	-	-	-	4,148	-	-	5,874			
Developer Contributions	-	-	-	2,929	-	-	2,929			
Streetsight and Services Districts	-	-	602	-	-	-	602			
Contributions and Donations	-	-	-	432	-	1,218	2,841			
Reimbursements from Outside Sources	-	-	-	174	11	93	772			
Other	-	-	-	103	-	-	103			
Total Revenues	1	14	602	25,575	39,094	2,663	210,392			
EXPENDITURES										
Current										
General Government										
Mayor and City Council	-	-	-	-	-	-	13			
City Court	-	-	-	1,980	-	-	1,980			
City Treasurer	12	15	-	-	-	-	160			
Other General Government	3	-	-	-	-	-	8			
Public Works	-	-	-	-	-	-	26,030			
Community and Economic Development	-	-	-	445	22,353	-	22,805			
Public Safety	-	-	-	1,305	-	-	4,745			
Community Services	-	-	-	4,553	-	724	20,714			
Administrative Services	-	-	-	-	-	-	836			
Streetsight and Services Districts	-	-	577	-	-	-	577			
Debt Service										
Principal	-	-	-	1,015	-	15	1,078			
Interest and Fiscal Charges	-	-	-	266	-	1	268			
Capital Outlay	-	-	-	2	254	122	2,268			
Total Expenditures	15	15	577	9,566	22,607	862	81,482			
Excess (Deficiency) of Revenues over (under) Expenditures	(14)	(1)	25	16,009	16,487	1,801	128,910			
OTHER FINANCING SOURCES (USES)										
Transfers In										
Transfers Out	61	-	-	12	1,037	-	1,318			
Financing of Leases	-	-	-	(8,923)	(19,923)	(660)	(103,277)			
Total Other Financing Sources and (Uses)	61	-	-	4	-	-	353			
				(8,907)	(18,886)	(660)	(101,606)			
Net Change in Fund Balances (Deficits)	47	(1)	25	7,102	(2,399)	1,141	27,304			
Fund Balances (Deficits) - Beginning	5	7	(79)	23,981	15,444	5,106	219,495			
Fund Balances (Deficits) - Ending	52	6	(54)	31,083	13,045	6,247	246,799			

Transportation – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2025 (in thousands)

REVENUES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Taxes - Local						
Transaction Privilege	\$ 31,720	\$ 31,720	\$ 34,077	\$ -	\$ 34,077	\$ 2,357
Taxes - Intergovernmental						
Highway User Tax	19,344	19,344	19,136	-	19,136	(208)
Local Transportation Assistance Fund	610	610	610	-	610	-
Charges for Current Services	-	-	31	-	31	31
Building and Related Permits	6	6	5	-	5	(1)
Property Rental	3,747	3,747	2,849	-	2,849	(898)
Interest Earnings						
Intergovernmental	90	90	193	-	193	103
Miscellaneous	21	21	477	-	477	456
Reimbursements from Outside Sources	55,538	55,538	57,378	-	57,378	1,840
Total Revenues						
EXPENDITURES						
Current						
Public Works	30,234	29,834	26,739	(1,580)	25,159	3,095
Community Services	2,167	2,167	2,238	1	2,239	(71)
Administrative Services	19	19	19	(5)	14	-
Debt Service	-	-	-	48	48	-
Principal	-	-	-	1	1	-
Interest and Fiscal Charges	-	-	-	1,626	1,626	-
Capital Outlay	-	-	-	91	29,087	3,024
Total Expenditures	32,420	32,020	28,996			
Excess of Revenues over Expenditures	23,118	23,518	28,382	(91)	28,291	4,864
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	1	-	1	1
Transfers Out	(34,064)	(34,064)	(34,738)	-	(34,738)	(674)
Financing of Leases	-	-	-	78	78	-
Sale of General Capital Assets	10	10	-	-	-	(10)
Total Other Financing Sources (Uses)	(34,054)	(34,054)	(34,737)	78	(34,659)	(683)
Net Change in Fund Balance	\$ (10,936)	\$ (10,536)	\$ (6,355)	(13)	\$ (6,368)	\$ 4,181
Explanation of Differences:						
Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:						
Financing of Leases	\$ 78					
The city budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Payroll Accruals	13					
Non-Cash Operating Expenditures	78					
Total Expenditures	91					
Net Decrease in Fund Balance - Budget to GAAP	\$ (13)					

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.

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2025 (in thousands)

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

Pavroll Accruals

HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2025 (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						
Intergovernmental						
Federal Grants	\$ 1,439	\$ 1,439	\$ 505	\$ -	\$ 505	\$ (934)
Total Revenues	1,439	1,439	505	-	505	(934)
EXPENDITURES						
Current						
Community Services	1,439	1,439	251	3	254	1,188
Total Expenditures	1,439	1,439	251	3	254	1,188
Excess of Revenues over Expenditures	-	-	254	(3)	251	254
Net Change in Fund Balance	\$ -	\$ -	\$ 254	\$ (3)	\$ 251	\$ 254

Explanation of Differences:

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

Payroll Accruals	\$ 3

Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Budgeted Amounts									Variance Between Final Budget and Actual Amounts
	Original	Final		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis		Actual Amounts Budgetary Basis		
REVENUES										
Intergovernmental										
Federal Grants	\$ 8,929	\$ 845	\$	1,906	\$ -	\$ 1,906		\$ 1,061		
State Grants	1,687	144		2,102	-	2,102		1,958		
Miscellaneous	-	-		1,533	-	1,533		1,533		
Contributions and Donations	3,696	2,990		1,191	-	1,191		(1,799)		
Reimbursements from Outside Sources	574	574		-	-	-		(574)		
Total Revenues	14,886	4,553		6,732	-	6,732		2,179		
EXPENDITURES										
Current										
General Government										
Mayor and City Council	5	11		13	-	13		(2)		
Public Works	-	871		871	-	871		-		
Community and Economic Development	5	-		7	-	7		(7)		
Public Safety	6,696	2,488		3,368	72	3,440		(880)		
Community Services	7,108	2,906		1,746	(48)	1,698		1,160		
Administrative Services	1,072	822		822	-	822		-		
Capital Outlay	-	-		-	263	263		-		
Total Expenditures	14,886	7,098		6,827	287	7,114		271		
Excess (Deficiency) of Revenues over (under) Expenditures	-	(2,545)		(95)	(287)	(382)		2,450		
OTHER FINANCING SOURCES										
Financing of Leases	-	-		-	271	271		-		
Total Other Financing Sources	-	-		-	271	271		-		
Net Change in Fund Balance	-	\$ (2,545)	\$	(95)	(16)	(111)		\$ 2,450		
Explanation of Differences:										
Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:										
Financing of Leases	\$ 271									
The city budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:										
Payroll Accruals	16									
Non-Cash Operating Expenditures	271									
Total Expenditures	287									
Net Decrease in Fund Balance - Budget to GAAP		(16)								

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, 2025 (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	\$ 8,970	\$	8,970	\$ 9,585	\$ -	9,585	\$ 615
Reimbursements from Outside Sources	-		-	17	-	17	17
Total Revenues	8,970		8,970	9,602	-	9,602	632
EXPENDITURES							
Current							
Community Services	8,970		8,962	9,621	(1)	9,620	(659)
Capital Outlay	-		-	-	1	1	-
Total Expenditures	8,970		8,962	9,621	-	9,621	(659)
Excess (Deficiency) of Revenues over (under) Expenditures	-		8	(19)	-	(19)	(27)
Net Change in Fund Balance	\$ -	\$	8	(19)	\$ -	(19)	\$ (27)

Explanation of Differences:

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.

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, 2025 (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	\$	57,360	\$	57,360	\$	-	\$	4,287
Transaction Privilege		4,902		4,902		-	4,820	(82)
Interest Earnings		62,262		62,262		-	66,467	4,205
Total Revenues								
EXPENDITURES								
Total Expenditures		-		-		-	-	-
Excess of Revenues over Expenditures		62,262		62,262		-	66,467	4,205
OTHER FINANCING USES								
Transfers Out		(44,184)		(44,184)		-	(39,007)	5,177
Total Other Financing Uses		(44,184)		(44,184)		-	(39,007)	5,177
Net Change in Fund Balance	\$	18,078	\$	18,078	\$	-	27,460	9,382

Streetlight Districts – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2025 (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	\$ 570	\$ 570		\$ 602	\$ -	\$ 602	\$ 32
Total Revenues	570	570		602	-	602	32
EXPENDITURES							
Current							
Streetlight and Services Districts	572	572		577	-	577	(5)
Total Expenditures	572	572		577	-	577	(5)
Excess (Deficiency) of Revenues over (under) Expenditures	(2)	(2)		25	-	25	27
Net Change in Fund Balance	\$ (2)	\$ (2)		\$ 25	\$ -	\$ 25	\$ 27

Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Budgeted Amounts						
	Original	Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis	
REVENUES							
Taxes - Local							
Light and Power Franchise	\$ 265	\$ 265	\$ 214	\$ -	\$ 214	\$ (51)	
Other Taxes	7,896	7,896	7,824	-	7,824	(72)	
Business and Liquor Licenses	50	50	49	-	49	(1)	
Charges for Current Services							
Building and Related Permits	416	416	116	-	116	(300)	
Recreation Fees	3,256	3,256	3,588	-	3,588	332	
WestWorld Equestrian Facility Fees	1,234	1,234	1,410	-	1,410	176	
Fines, Fees, and Forfeitures							
Court	123	123	125	-	125	2	
Court Enhancement	2,488	2,488	2,272	-	2,272	(216)	
Library	117	117	94	-	94	(23)	
Police	95	95	105	-	105	10	
Opioid Settlements	-	-	992	-	992	992	
Property Rental	283	283	769	-	769	486	
Interest Earnings	237	237	231	-	231	(6)	
Intergovernmental							
Miscellaneous	5,002	5,002	4,148	-	4,148	(854)	
Developer Contributions	50	50	2,929	-	2,929	2,879	
Contributions and Donations	1,093	1,093	432	-	432	(661)	
Reimbursements from Outside Sources	404	404	174	-	174	(230)	
Other	118	118	103	-	103	(15)	
Total Revenues	23,127	23,127	25,575	-	25,575	2,448	
EXPENDITURES							
Current							
General Government							
Mayor and City Council	59	59	-	-	-	59	
City Court	2,152	2,137	1,970	10	1,980	167	
Public Works	256	256	-	-	-	256	
Community and Economic Development	689	689	445	-	445	244	
Public Safety	5,909	5,886	2,523	(1,218)	1,305	3,363	
Community Services	6,563	6,657	4,545	8	4,553	2,112	
Debt Service							
Principal	38	38	48	967	1,015	(10)	
Interest and Fiscal Charges	20	20	13	253	266	7	
Capital Outlay	-	-	-	2	2	-	
Total Expenditures	15,686	15,742	9,544	22	9,566	6,198	
Excess of Revenues over Expenditures	7,441	7,385	16,031	(22)	16,009	8,646	
OTHER FINANCING SOURCES (USES)							
Transfers In	10	10	12	-	12	2	
Transfers Out	(8,601)	(8,601)	(8,923)	-	(8,923)	(322)	
Financing of Leases	-	-	-	4	4	-	
Total Other Financing Sources (Uses)	(8,591)	(8,591)	(8,911)	4	(8,907)	(320)	
Net Change in Fund Balance	\$ (1,150)	\$ (1,206)	\$ 7,120	\$ (18)	\$ 7,102	\$ 8,326	

Explanation of Differences:

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

Financing of Leases \$ 4

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

Payroll Accruals 18
Non-Cash Operating Expenditures 4
Total Expenditures 22

Net Decrease in Fund Balance - Budget to GAAP \$ (18)

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, 2025 (in thousands)

	Budgeted Amounts									Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis				
REVENUES										
Taxes - Local										
Transient Occupancy Tax	\$ 31,561	\$ 31,561	\$	34,735	\$ -	\$ 34,735		\$	3,174	
Property Rental	3,246	3,246		3,913	25	3,938			667	
Interest Earnings	687	687		410	-	410			(277)	
Reimbursements from Outside Sources	25	25		11	-	11			(14)	
Total Revenues	35,519	35,519		39,069	25	39,094			3,550	
EXPENDITURES										
Current										
Community and Economic Development	21,865	21,868		22,602	(249)	22,353			(734)	
Capital Outlay	-	-		-	254	254			-	
Total Expenditures	21,865	21,868		22,602	5	22,607			(734)	
Excess of Revenues over Expenditures	13,654	13,651		16,467	20	16,487			2,816	
OTHER FINANCING SOURCES (USES)										
Transfers In	-	1,000		1,037	-	1,037			37	
Transfers Out	(17,244)	(18,544)		(19,923)	-	(19,923)			(1,379)	
Total Other Financing Sources (Uses)	(17,244)	(17,544)		(18,886)	-	(18,886)			(1,342)	
Net Change in Fund Balance	(3,590)	(3,893)	\$	(2,419)	20	(2,399)		\$	1,474	
Explanation of Differences:										
Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:										
Amortized Lease Revenue	\$ 25									
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:										
Payroll Accruals	5									
Net Increase in Fund Balance - Budget to GAAP	\$ 20									

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.

Stadium Facility – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2025 (in thousands)

Budgeted Amounts							
	Original	Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis	
REVENUES							
Charges for Current Services							
Recreation Fees	\$ -	\$ -	29	\$ -	29	\$ 29	
Property Rental	1,050	1,050	1,152	-	1,152	102	
Interest Earnings	188	188	171	-	171	(17)	
Contributions and Donations	727	727	1,218	-	1,218	491	
Reimbursements from Outside Sources	288	288	93	-	93	(195)	
Total Revenues	2,253	2,253	2,663	-	2,663	410	
EXPENDITURES							
Current							
Community Services	1,654	1,654	859	(135)	724	795	
Debt Service							
Principal	-	-	-	15	15	-	
Interest and Fiscal Charges	-	-	-	1	1	-	
Capital Outlay	-	-	-	122	122	-	
Total Expenditures	1,654	1,654	859	3	862	795	
Excess of Revenues over Expenditures	599	599	1,804	(3)	1,801	1,205	
OTHER FINANCING USES							
Transfers Out	(660)	(660)	(660)	-	(660)	-	
Total Other Financing Uses	(660)	(660)	(660)	-	(660)	-	
Net Change in Fund Balance	\$ (61)	\$ (61)	\$ 1,144	\$ (3)	\$ 1,141	\$ 1,205	

Explanation of Differences:

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

Payroll Accruals	\$ 3

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.

Combining Balance Sheet

Nonmajor Debt Service Governmental Funds
June 30, 2025 (in thousands)

	ASSETS				Municipal Property Corporation	Debt Service Stabilization	DC Ranch CFD	Waterfront Commercial CFD	Total
Cash and Investments				-	\$	\$	-	\$	5,055
Cash with Fiscal Agent				14,228			1,301	239	15,768
Receivables (net of allowance for uncollectibles)									
Interest				4			-	-	4
Property Tax				-			60	-	60
Total Assets				14,232	\$	\$	1,361	239	20,887
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities									
Matured Bond Interest Payable				2,063	\$	\$	62	20	2,145
Matured Bonds Payable				12,165			1,165	190	13,520
Total Liabilities				14,228			1,227	210	15,665
Deferred Inflows of Resources									
Unavailable Revenues				-			26	-	26
Total Liabilities and Deferred Inflows of Resources				14,228			1,253	210	15,691
Fund Balances									
Restricted				4			108	29	2,513
Committed				-			-	-	2,683
Total Fund Balances				4			108	29	5,196
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				14,232	\$	\$	1,361	239	20,887

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	DC Ranch CFD	Waterfront Commercial CFD	Total
REVENUES					
Taxes - Local					
Property	\$ -	\$ -	\$ 1,568	\$ 232	\$ 1,800
Interest Earnings	12	-	-	-	12
Total Revenues	12	-	1,568	232	1,812
EXPENDITURES					
Debt Service					
Principal	19,290	-	1,165	190	20,645
Interest and Fiscal Charges	4,155	-	124	42	4,321
Total Expenditures	23,445	-	1,289	232	24,966
Excess (Deficiency) of Revenues over (under) Expenditures	(23,433)	-	279	-	(23,154)
OTHER FINANCING SOURCES (USES)					
Transfers In					
Total Other Financing Sources (Uses)	23,437	-	-	-	23,437
Net Change in Fund Balances	4	-	279	-	283
Fund Balances - Beginning	-	5,055	(171)	29	4,913
Fund Balances - Ending	4	\$ 5,055	\$ 108	\$ 29	\$ 5,196

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, 2025 (in thousands)

	Budgeted Amounts					Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	
REVENUES						
Taxes - Local						
Property	\$ 28,616	\$ 28,616	\$ 29,117	\$ 5,059	\$ 34,176	\$ 501
Interest	-	-	2	-	2	2
Total Revenues	28,616	28,616	29,119	5,059	34,178	503
EXPENDITURES						
Debt Service						
Principal	58,063	58,063	55,595	-	55,595	2,468
Interest and Fiscal Charges	11,887	11,887	10,018	-	10,018	1,869
Bond Issuance Costs	-	-	522	-	522	(522)
Total Expenditures	69,950	69,950	66,135	-	66,135	3,815
Deficiency of Revenues under Expenditures	(41,334)	(41,334)	(37,016)	5,059	(31,957)	4,318
OTHER FINANCING SOURCES						
Transfers In	38,817	38,817	38,850	-	38,850	33
Issuance of Long-Term Capital-Related Debt	-	-	141	-	141	141
Premium on Long-Term Debt Issued	-	-	384	-	384	384
Total Other Financing Sources	38,817	38,817	39,375	-	39,375	558
Net Change in Fund Balance	\$ (2,517)	\$ (2,517)	\$ 2,359	\$ 5,059	\$ 7,418	\$ 4,876

Explanation of Differences:

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

Property Tax Maricopa County Qasimiyar 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, 2025 (in thousands)

	Budgeted Amounts						Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	
REVENUES							
Interest Earnings	\$ -	\$ -		\$ 12	\$ -	\$ 12	\$ 12
Total Revenues	-	-		12	-	12	12
EXPENDITURES							
Debt Service							
Principal	19,290	19,290		19,290	-	19,290	-
Interest and Fiscal Charges	4,407	4,407		4,155	-	4,155	252
Total Expenditures	23,697	23,697		23,445	-	23,445	252
Deficiency of Revenues under Expenditures	(23,697)	(23,697)		(23,433)	-	(23,433)	264
OTHER FINANCING SOURCES							
Transfers In	23,700	23,700		23,436	1	23,437	(264)
Total Other Financing Sources	23,700	23,700		23,436	1	23,437	(264)
Net Change in Fund Balance	\$ 3	\$ 3	3	\$ 3	1	\$ 4	\$ -

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2025 (in thousands)

ASSETS			
Cash and Investments			
Total Assets			
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts Payable			
Total Liabilities			
Fund Balances (Deficits)			
Restricted			
Unassigned			
Total Fund Balances (Deficits)			
Total Liabilities and Fund Balances (Deficits)			
	General Obligation Bonds	Preserve Privilege Tax	Total
Cash and Investments	\$ 92,265	\$ -	\$ 92,265
Total Assets	\$ 92,265	\$ -	\$ 92,265
Liabilities			
Accounts Payable	\$ 2,148	\$ -	\$ 2,148
Total Liabilities	2,148	-	2,148
Fund Balances (Deficits)			
Restricted	90,148	-	90,148
Unassigned	(31)	-	(31)
Total Fund Balances (Deficits)	90,117	-	90,117
Total Liabilities and Fund Balances (Deficits)	\$ 92,265	\$ -	\$ 92,265

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

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	General Obligation Bonds	Preserve Privilege Tax	Total
REVENUES			
Interest Earnings	387	\$ -	\$ 387
Net Increase in the Fair Value of Investments	102	-	102
Total Revenues	489	-	489
EXPENDITURES			
Current			
Public Safety	130	-	130
Community Services	-	31	31
Administrative Services	2	-	2
Capital Outlay	17,066	122	17,188
Total Expenditures	17,198	153	17,351
Deficiency of Revenues under Expenditures	(16,709)	(153)	(16,862)
OTHER FINANCING SOURCES			
Transfers In	-	157	157
Issuance of Long-Term Capital-Related Debt	102,109	-	102,109
Premium on Long-Term Debt Issued	4,891	-	4,891
Total Other Financing Sources	107,000	157	107,157
Net Change in Fund Balances	90,291	4	90,295
Fund Balances (Deficits) - Beginning	(174)	(4)	(178)
Fund Balances - Ending	\$ 90,117	\$ -	\$ 90,117

Combining Balance Sheet

Nonmajor Permanent Governmental Funds June 30, 2025 (in thousands)

ASSETS		Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
Cash and Investments		\$ 464	\$ 154	\$ 47	\$ 37	\$ 702
Total Assets		\$ 464	\$ 154	\$ 47	\$ 37	\$ 702
LIABILITIES AND FUND BALANCES						
Liabilities						
Total Liabilities		\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances						
Nonspendable		446	148	45	36	675
Restricted		18	6	2	1	27
Total Fund Balances		464	154	47	37	702
Total Liabilities and Fund Balances		\$ 464	\$ 154	\$ 47	\$ 37	\$ 702

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

Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
REVENUES					
Net Increase in the Fair Value of Investments	\$ 44	\$ 15	\$ 5	\$ 4	\$ 68
Total Revenues	44	15	5	4	68
EXPENDITURES					
Current					
Community Services	25	8	3	2	38
Total Expenditures	25	8	3	2	38
Excess of Revenues over Expenditures	19	7	2	2	30
Net Change in Fund Balances	19	7	2	2	30
Fund Balances - Beginning	445	147	45	35	672
Fund Balances - Ending	\$ 464	\$ 154	\$ 47	\$ 37	\$ 702

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, 2025 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 22,145	\$ 58,388	\$ 1,785	\$ 82,318
Receivables (net of allowance for uncollectibles)				
Miscellaneous	100	348	-	448
Supplies Inventory	1,624	-	-	1,624
Prepaid Items	219	-	-	219
Total Current Assets	<u>\$ 24,088</u>	<u>\$ 58,736</u>	<u>\$ 1,785</u>	<u>\$ 84,609</u>
Noncurrent Assets				
Net Pension OPEB Asset	158	45	-	203
Equity in Joint Venture	4	-	-	4
Capital Assets				
Buildings and Improvements	19,003	-	-	19,003
Motor Vehicles	119,295	-	-	119,295
Machinery and Equipment	1,492	44	5,375	6,911
Construction in Progress	8,903	-	-	8,903
Leases	19	8	-	27
Subscription-Based Information Technology Arrangements	2	512	-	514
Less Accumulated Depreciation/Amortization	<u>(77,954)</u>	<u>(554)</u>	<u>(3,267)</u>	<u>(81,775)</u>
Total Capital Assets (net of accumulated depreciation/amortization)	<u>70,760</u>	<u>10</u>	<u>2,108</u>	<u>72,878</u>
Total Noncurrent Assets	<u>70,922</u>	<u>55</u>	<u>2,108</u>	<u>73,085</u>
Total Assets	<u>95,010</u>	<u>58,791</u>	<u>3,893</u>	<u>157,694</u>
Deferred Outflows of Resources				
Pension OPEB-Related Amounts	9	3	-	12
Pension-Related Amounts	<u>747</u>	<u>222</u>	<u>-</u>	<u>969</u>
Total Deferred Outflows of Resources	<u>756</u>	<u>225</u>	<u>-</u>	<u>981</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current Liabilities				
Accounts Payable	829	1,453	391	2,673
Accrued Payroll and Benefits	250	82	-	332
Accrued Compensated Absences - Due within one year	280	77	-	357
Leases - Due within one year	4	2	-	6
Other Payables - Due within one year	-	9,839	-	9,839
Unearned Revenue	-	21	-	21
Total Current Liabilities	<u>1,363</u>	<u>11,474</u>	<u>391</u>	<u>13,228</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	143	32	-	175
Leases - Due in more than one year	9	3	-	12
Net Pension Liabilities	4,136	1,173	-	5,309
Other Payables - Due in more than one year	-	13,633	-	13,633
Total Noncurrent Liabilities	<u>4,288</u>	<u>14,841</u>	<u>-</u>	<u>19,129</u>
Total Liabilities	<u>5,651</u>	<u>26,315</u>	<u>391</u>	<u>32,357</u>
Deferred Inflows of Resources				
OPEB-Related Amounts	53	15	-	68
Pension-Related Amounts	<u>314</u>	<u>89</u>	<u>-</u>	<u>403</u>
Total Deferred Inflows of Resources	<u>367</u>	<u>104</u>	<u>-</u>	<u>471</u>
NET POSITION				
Net Investment in Capital Assets	70,318	5	1,717	72,040
Unrestricted	<u>19,430</u>	<u>32,591</u>	<u>1,785</u>	<u>53,807</u>
Total Net Position	<u>\$ 89,748</u>	<u>\$ 32,597</u>	<u>\$ 3,502</u>	<u>\$ 125,847</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	<u>Fleet Management</u>	<u>Self-Insurance</u>	<u>Computer Replacement</u>	<u>Total</u>
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 29,901	\$ 49,728	\$ 950	\$ 80,579
Self-Insurance Contributions - Employee	-	9,425	-	9,425
Self-Insurance Contributions - Retiree	-	176	-	176
State Contributions	-	73	-	73
Other	642	1,285	-	1,927
Total Operating Revenues	<u>30,543</u>	<u>60,687</u>	<u>950</u>	<u>92,180</u>
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	17,000	-	-	17,000
Self-Insurance Administration	-	4,244	-	4,244
Self-Insurance Claims	-	8,571	-	8,571
Self-Insurance Benefits	-	38,854	-	38,854
Insurance and Bond Premiums	-	7,365	-	7,365
Computer Replacement	-	-	543	543
Depreciation/Amortization	11,255	124	780	12,159
Total Operating Expenses	<u>28,255</u>	<u>59,158</u>	<u>1,323</u>	<u>88,736</u>
Operating Income (Loss)	<u>2,288</u>	<u>1,529</u>	<u>(373)</u>	<u>3,444</u>
Non-Operating Revenues (Expenses)				
Property Tax	-	1,259	-	1,259
Gain (Loss) on Sale of Capital Assets	286	-	(14)	272
Net Non-Operating Revenues (Expenses)	<u>286</u>	<u>1,259</u>	<u>(14)</u>	<u>1,531</u>
Income (Loss) Before Contributions and Transfers	2,574	2,788	(387)	4,975
Capital Contributions	2,179	-	-	2,179
Transfers In	-	128	-	128
Transfers Out	-	(146)	-	(146)
Change in Net Position	4,753	2,770	(387)	7,136
Total Net Position - Beginning	84,995	29,827	3,889	118,711
Total Net Position - Ending	<u>\$ 89,748</u>	<u>\$ 32,597</u>	<u>\$ 3,502</u>	<u>\$ 125,847</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2025 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 29,959	\$ 59,462	\$ 950	\$ 90,371
Cash Payments to Suppliers for Goods/Services	(12,305)	(56,856)	(543)	(69,704)
Cash Payments to Employees for Services	(5,277)	(2,022)	-	(7,299)
Other Cash Receipts	642	1,285	-	1,927
Net Cash Provided by (Used for) Operating Activities	13,019	1,869	407	15,295
Cash Flows from Non-Capital Financing Activities				
Property Tax	-	1,259	-	1,259
Transfers In	-	128	-	128
Transfers Out	-	(146)	-	(146)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	1,241	-	1,241
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(18,592)	(116)	(816)	(19,524)
Sale of Capital Assets	4,311	-	-	4,311
Net Cash Provided by (Used for) Capital and Related Financing Activities	(14,281)	(116)	(816)	(15,213)
Net Increase in Cash and Cash Equivalents	(1,262)	2,994	(409)	1,323
Cash and Cash Equivalents at Beginning of Year	23,407	55,394	2,194	80,995
Cash and Cash Equivalents at End of Year	\$ 22,145	\$ 58,388	\$ 1,785	\$ 82,318
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 2,288	\$ 1,529	\$ (373)	\$ 3,444
Income Provided by (Used for) Operating Activities				
Depreciation/Amortization	11,255	124	780	12,159
Current Year Pension Contributions	(443)	(136)	-	(579)
Change Equity in Joint Venture	1	-	-	1
Change in Accounts Receivable	58	54	-	112
Change in Inventories	(213)	-	-	(213)
Change in Accounts Payable	(185)	(2,287)	-	(2,472)
Change in Unearned Revenue	-	8	-	8
Change in Accrued Payroll	41	12	-	53
Change in Compensated Absences Payable	57	27	-	84
Change in Claims Payable	-	2,513	-	2,513
Change in Net Pension/OPEB Liability	(197)	(75)	-	(272)
Change in Deferred Outflows of Resources Related to Pensions	253	72	-	325
Change in Deferred Inflows of Resources Related to Pensions	104	28	-	132
Total Adjustments	10,731	340	780	11,851
Net Cash Provided by (Used for) Operating Activities	\$ 13,019	\$ 1,869	\$ 407	\$ 15,295
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities				
Changes to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	\$ 2,179	\$ -	\$ -	\$ 2,179
Retirement of Assets	(347)	-	(14)	(361)
Total Non-Cash Investing, Capital, and Financing Activities	\$ 1,832	\$ -	\$ (14)	\$ 1,818

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, 2025 (in thousands)

GENERAL OBLIGATION BONDS

	July 1, 2024	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2025	Governmental Activities	Business-type Activities	Final Payment Date
Governmental Activities										
2014 GO Preservation	\$ 1,430	\$ -	\$ 705	\$ -	\$ -	\$ -	\$ 725	\$ 725	\$ -	07/01/26
2015 GO Refunding Various Purpose	35,020	-	8,015	-	-	-	27,005	27,005	-	07/01/28
2015 GO Refunding Preservation	3,485	-	815	-	-	-	2,670	2,670	-	07/01/28
2017A GO Preservation	17,410	-	-	-	-	-	17,410	17,410	-	07/01/34
2017 GO Refunding Various Purpose	18,810	-	3,207	-	-	-	15,603	15,603	-	07/01/29
2017 GO Refunding Preservation	11,280	-	1,013	-	-	-	10,267	10,267	-	07/01/34
2017C GO Various Purpose	7,180	-	2,575	-	-	-	4,605	4,605	-	07/01/27
2020 GO Taxable Refunding Preservation	151,475	-	33,150	-	-	-	118,325	118,325	-	07/01/34
2021 GO Various Purpose	26,450	-	1,275	-	-	-	25,175	25,175	-	07/01/40
2021 GO Taxable Various Purpose	16,860	-	915	-	-	-	15,945	15,945	-	07/01/40
2023 GO Various Purpose	32,200	-	1,900	-	-	-	30,300	30,300	-	07/01/42
2023 GO Taxable Various Purpose	37,510	-	2,025	-	-	-	35,485	35,485	-	07/01/42
2025 GO Various Purpose	-	102,250	-	-	-	-	102,250	102,250	-	07/01/45
2014 GO Preserve Issuance Premium	50	-	-	-	-	(25)	25	25	-	-
2015 GO Refunding Series Issuance Premium	5,035	-	-	-	-	(1,258)	3,777	3,777	-	-
2017A GO Preserve Series Issuance Premium	1,618	-	-	-	-	(162)	1,456	1,456	-	-
2017 GO Refunding Series Issuance Premium	3,912	-	-	-	-	(391)	3,521	3,521	-	-
2017C GO Various Purpose Issuance Premium	1,096	-	-	-	-	(365)	731	731	-	-
2021 GO Various Purpose Issuance Premium	2,984	-	-	-	-	(186)	2,798	2,798	-	-
2021 GO Taxable Various Purpose Issuance Premium	481	-	-	-	-	(30)	451	451	-	-
2023 GO Various Purpose Issuance Premium	3,829	-	-	-	-	(213)	3,616	3,616	-	-
2023 GO Taxable Various Purpose Issuance Premium	668	-	-	-	-	(37)	631	631	-	-
2025 GO Various Purpose Issuance Premium	-	5,274	-	-	-	(15)	5,259	5,259	-	-
Total General Obligation Bonds	\$ 378,783	\$ 107,524	\$ 55,595	\$ -	\$ -	\$ (2,682)	\$ 428,030	\$ 428,030	\$ -	-

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2025 (in thousands)

MUNICIPAL PROPERTY CORPORATION BONDS									
	July 1, 2024	Issued	Retired	Refunding Bonds Issued	Bonds Defaced	Accretions, Amortizations, and Contract Adjustments	June 30, 2025		Final Payment Date
							Governmental Activities	Business-type Activities	
Governmental Activities									
2006 MPC Refunding	\$ 35,040	\$ -	\$ 3,650	\$ -	\$ -	\$ -	\$ 31,390	\$ -	07/01/34
2014 MPC Refunding	7,125	-	7,125	-	-	-	-	-	08/01/24
2015A MPC	6,795	-	620	-	-	-	6,175	-	07/01/34
2015A MPC Taxable	8,690	-	735	-	-	-	7,955	-	07/01/34
2019A MPC	7,735	-	380	-	-	-	7,355	-	07/01/39
2019B MPC Taxable	26,640	-	1,490	-	-	-	25,150	-	07/01/39
2021B MPC Taxable Refunding	61,490	-	5,290	-	-	-	56,200	-	07/01/35
2006 Refunding Series Issuance Premium	2,471	-	-	-	-	(247)	2,224	-	-
2014 Refunding Series Issuance Premium	609	-	593	-	-	(16)	-	-	-
2015A Series Issuance Premium	546	-	-	-	-	(54)	492	-	-
2015A Taxable Series Issuance Premium	138	-	-	-	-	(14)	124	-	-
2019A Series Issuance Premium	948	-	-	-	-	(63)	885	-	-
2019B Taxable Series Issuance Premium	60	-	-	-	-	(5)	55	-	-
Subtotal Governmental Activities	158,287	-	19,883	-	-	(399)	138,005	-	-
Business-type Activities									
2006 MPC Refunding	32,995	-	4,915	-	-	-	28,080	-	07/01/30
2015A MPC Bonds Water/Sewer	10,295	-	940	-	-	-	9,355	-	07/01/34
2015 MPC Refunding	10,140	-	4,940	-	-	-	5,200	-	07/01/26
2017 MPC Refunding	37,340	-	2,545	-	-	-	34,795	-	07/01/34
2017A MPC Bonds Water	29,155	-	1,740	-	-	-	27,415	-	07/01/37
2017B MPC Bonds Aviation	17,600	-	1,040	-	-	-	16,560	-	07/01/37
2021A MPC Refunding	7,920	-	-	-	-	-	7,920	-	07/01/30
2021B MPC Taxable Refunding	59,095	-	1,330	-	-	-	57,765	-	07/01/36
2025 MPC Bonds Water/Sewer	-	112,375	-	-	-	-	112,375	-	07/01/45
2006 Refunding Series Issuance Premium	3,381	-	-	-	-	(563)	2,818	-	-
2015A Series Issuance Premium	827	-	-	-	-	(83)	744	-	-
2015 Refunding Series Issuance Premium	1,181	-	-	-	-	(591)	590	-	-
2017 Refunding Series Issuance Premium	3,282	-	-	-	-	(328)	2,954	-	-
2017A Series Issuance Premium	2,127	-	-	-	-	(163)	1,964	-	-
2017B Series Issuance Premium	1,087	-	-	-	-	(83)	1,004	-	-
2021A Refunding Issuance Premium	1,880	-	-	-	-	(313)	1,567	-	-
2025 Series Issuance Premium	-	8,203	-	-	-	(24)	8,179	-	-
Subtotal Business-type Activities	218,305	120,578	17,450	-	-	(2,148)	319,285	-	-
Total Municipal Property Corporation Bonds	\$ 376,592	\$ 120,578	\$ 37,333	\$ -	\$ -	\$ (2,547)	\$ 457,290	\$ 138,005	\$ 319,285
COMMUNITY FACILITIES DISTRICT BONDS									
Governmental Activities									
DC Ranch Refunding Series 2012	\$ 3,615	\$ -	\$ 1,165	\$ -	\$ -	\$ -	\$ 2,450	\$ -	07/15/27
Waterfront Commercial Refunding Series 2019	1,658	-	190	-	-	-	1,468	-	07/15/32
DC Ranch 2012 Issuance Premium	118	-	-	-	-	(39)	79	-	-
Total Community Facilities District Bonds	\$ 5,391	\$ -	\$ 1,355	\$ -	\$ -	\$ (39)	\$ 3,997	\$ -	-
Total Bonds	\$ 760,766	\$ 228,102	\$ 94,283	\$ -	\$ -	\$ (5,269)	\$ 889,316	\$ 570,031	\$ 319,285

*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, 2025 (in thousands)

	July 1, 2024	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Amortizations, and Contract Adjustments	June 30, 2025	Governmental Activities	Business-type Activities	Final Payment Date
CONTRACTS PAYABLE										
Governmental Activities										
PNC Bank	\$ 245	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ 197	\$ 197	\$ -	01/01/33
Field Maintenance Equipment - Community Services	84	-	31	-	-	-	53	53	-	03/30/27
I.T. Hardware Equipment - Public Safety - 2024	1,457	-	334	-	-	-	1,123	1,123	-	10/01/27
Total Contracts	\$ 1,786	\$ -	\$ 413	\$ -	\$ -	\$ -	\$ 1,373	\$ 1,373	\$ -	
LEASES										
Governmental Activities										
Baseball Facility - Community Services	\$ 1,051	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ 1,043	\$ 1,043	\$ -	12/01/52
Distributed Antenna System - Administrative Services	40	-	7	-	-	-	33	33	-	12/01/29
Data Center Space - Administrative Services	588	-	247	-	-	-	341	341	-	09/01/26
Street Maintenance Equipment - Public Works	20	78	43	-	-	-	55	55	-	11/24/24
Vehicles - Public Safety	895	701	442	-	-	(16)	1,138	1,138	-	06/01/28
Imaging Equipment - Various Governmental Funds	799	53	189	-	-	-	663	663	-	03/01/29
Imaging Equipment - Fleet Management	16	-	3	-	-	-	13	13	-	03/01/29
Imaging Equipment - Risk Management	6	-	2	-	-	-	4	4	-	11/01/27
Situational Awareness Cameras - Public Safety	422	271	159	-	-	-	534	534	-	08/11/27
Document Inserter - City Treasurer	160	-	31	-	-	-	129	129	-	02/01/29
Equipment storage and maintenance warehouse - Public Safety	-	718	160	-	-	-	558	558	-	09/01/27
Temporary Fire Station - Public Safety	-	119	34	-	-	-	85	85	-	11/05/26
Subtotal Governmental Activities	3,997	1,940	1,325	-	-	(16)	4,596	4,596	-	
Business-type Activities										
Imaging Equipment - Water and Sewer Utility	78	-	18	-	-	-	60	-	60	03/01/29
Imaging Equipment - Airport	12	-	3	-	-	-	9	-	9	03/01/28
Imaging Equipment - Solid Waste	6	-	2	-	-	-	4	-	4	08/01/27
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	-	-	10	-	-	-	10	-	10	02/16/26
Subtotal Business-type Activities	116	-	33	-	-	-	83	-	83	
Total Leases	\$ 4,113	\$ 1,940	\$ 1,358	\$ -	\$ -	\$ (16)	\$ 4,679	\$ 4,596	\$ 83	
SUBSCRIPTIONS										
Governmental Activities										
Event Registration and Management System - Public Safety	\$ 4	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	01/14/25
Platform for Payroll and HRIS Services - Administrative Services/City Treasurer	428	-	207	-	-	-	221	221	-	04/01/26
Risk Management Information System - Self Insurance	115	-	115	-	-	-	-	-	-	07/01/24
Core Enterprise User Plan - Administrative Services	92	-	92	-	-	-	-	-	-	10/18/24
Digital Signage and Program/Event Communications - Community Services	18	-	18	-	-	-	-	-	-	08/29/24
E-mail and Communication Management Service - Administrative Services	28	-	-	-	-	-	28	28	-	08/01/24
Evacuation Planning Software - Public Safety	22	-	1	-	-	-	21	21	-	11/13/25
Situational Awareness Software - Public Safety	130	-	30	-	-	-	100	100	-	08/11/27
Enterprise Software (FY 2024) - Administrative Services	4,744	-	842	-	-	-	3,902	3,902	-	08/01/28
Server Software (FY 2024) - Administrative Services	98	-	17	-	-	-	81	81	-	08/01/28
Network Automation Software - Administrative Services	190	-	92	-	-	-	98	98	-	11/11/25
Imaging - Administrative Services	282	-	135	-	-	-	147	147	-	12/03/25
Geospatial Technology System - Public Works/Administrative Services	68	-	35	-	-	-	33	33	-	07/01/25
Advanced Network Management - Administrative Services	1,152	-	204	-	-	-	948	948	-	03/15/29
Computer Aided Dispatch Subscription - Public Safety	178	-	-	-	-	-	178	178	-	07/01/25
Security and Compliance Automation Platform - Administrative Services	64	-	32	-	-	-	32	32	-	04/19/26
Investigative Software and Storage (FY 2024) - Public Safety	2,067	-	474	-	-	-	1,593	1,593	-	10/01/27
Cyber Asset Attack Surface Management Tool - Administrative Services	131	-	83	-	-	-	49	49	-	12/02/25
Investment and Debt Management Software - City Treasurer	-	103	53	-	-	-	50	50	-	05/01/26
Time and Attendance Management - Administrative Services	-	313	110	-	-	-	203	203	-	12/01/26
Accrual Virtual Crime Center - Public Safety	-	228	48	-	-	-	180	180	-	08/01/28
eDiscovery software subscription - City Attorney	-	136	70	-	-	-	66	66	-	01/01/26
Subtotal Governmental Activities	9,811	780	2,661	-	-	-	7,930	7,930	-	
Business-type Activities										
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	61	-	30	-	-	-	31	-	31	02/16/26
Geospatial Technology System - Water and Sewer Utility	19	-	9	-	-	-	10	-	10	07/01/25
Geospatial Technology System - Solid Waste	4	-	2	-	-	-	2	-	2	07/01/25
Water and Wastewater Compliance - Water and Sewer Utility	-	199	67	-	-	-	132	-	132	11/08/26
Subtotal Business-type Activities	84	199	108	-	-	-	175	-	175	
Total Subscriptions	\$ 9,895	\$ 979	\$ 2,769	\$ -	\$ -	\$ -	\$ 8,105	\$ 7,930	\$ 175	

*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, 2025 (in thousands)

	July 1, 2024	Issued	Retired	Refunding Bonds Issued	Bonds Defaced	Accretions, Amortizations, and Contract Adjustments	June 30, 2025	Governmental Activities	Business-type Activities	Final Payment Date
PUBLIC-PUBLIC PARTNERSHIPS										
Governmental Activities										
Bureau of Reclamation \ Westworld	\$ 1,824	\$ -	\$ 157	\$ -	\$ -	\$ -	\$ 1,667	\$ 1,667	\$ -	2032
Bureau of Reclamation \ TPC	2,544	-	127	-	-	-	2,417	2,417	-	2035
Total Public-Public Partnerships	\$ 4,368	\$ -	\$ 284	\$ -	\$ -	\$ -	\$ 4,084	\$ 4,084	\$ -	-
TOTAL BONDS, CONTRACTS, LEASES, SUBSCRIPTIONS, AND PUBLIC-PUBLIC PARTNERSHIPS	\$ 780,928	\$ 231,021	\$ 99,107	\$ -	\$ -	\$ (5,285)	\$ 907,557	\$ 588,014	\$ 319,543	
Compensated Absences								\$ 35,819	\$ 4,072	
City Total Other Postemployment Benefit Liability								893	-	
Net Pension Liabilities								302,426	33,476	
Risk Management Claims								23,472	-	
Pollution Remediation Obligation								-	46,276	
Total Long-Term Debt								\$ 950,624	\$ 403,367	

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



Statistical Section

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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)

Table I

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 4,602,117
Restricted	122,932	125,366	123,057	119,657	146,017	189,263	266,758	330,043	350,415	412,106
Unrestricted	(3,679)	(43,632)	(27,779)	(5,012)	23,905	63,519	132,712	234,291	303,529	331,744
Total Governmental Activities Net Position	<u>\$ 3,526,229</u> ⁽¹⁾	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> ⁽²⁾	<u>\$ 3,790,212</u>	<u>\$ 3,918,171</u> ⁽³⁾	<u>\$ 4,318,626</u>	<u>\$ 4,562,333</u>	<u>\$ 4,812,135</u> ⁽⁴⁾	<u>\$ 5,122,393</u> ⁽⁵⁾	<u>\$ 5,345,967</u> ⁽⁶⁾
Business-type Activities										
Net Investment in Capital Assets	\$ 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	\$ 1,317,956
Restricted	47,521	48,911	48,926	52,204	52,728	51,596	54,717	54,119	4,907	5,500
Unrestricted	255,503	256,129	250,500	282,796	301,788	291,368	284,046	284,450	311,128	401,256
Total Business-type Activities Net Position	<u>\$ 1,362,025</u> ⁽²⁾	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>	<u>\$ 1,428,556</u>	<u>\$ 1,456,699</u>	<u>\$ 1,499,990</u>	<u>\$ 1,533,768</u>	<u>\$ 1,559,591</u>	<u>\$ 1,632,511</u>	<u>\$ 1,724,712</u>
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 5,920,073
Restricted	170,453	174,277	171,983	171,861	198,745	240,859	321,475	384,162	355,322	417,606
Unrestricted	251,824	212,497	222,721	277,784	325,693	354,887	416,758	518,741	614,657	733,000
Total Primary Government Net Position	<u>\$ 4,888,254</u>	<u>\$ 4,986,383</u>	<u>\$ 5,098,631</u>	<u>\$ 5,218,768</u>	<u>\$ 5,374,870</u>	<u>\$ 5,818,616</u>	<u>\$ 6,096,101</u>	<u>\$ 6,371,726</u>	<u>\$ 6,754,904</u>	<u>\$ 7,070,679</u>

⁽¹⁾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.

⁽²⁾In fiscal year 2016, beginning net position was restated due to the recognition of the city's involvement in a joint venture.

⁽³⁾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.

⁽⁴⁾In fiscal year 2020, beginning net position was restated due to the implementation of GASB Statement No. 87.

⁽⁵⁾In fiscal year 2023, beginning net position was restated due to the implementation of GASB Statement No. 94.

⁽⁶⁾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

	2016	2017 ⁽¹⁾	2018 ⁽²⁾	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities										
General Government										
Mayor and City Council										
City Clerk	\$ 1,129	\$ 845	\$ 695	\$ 704	\$ 770	\$ 725	\$ 894	\$ 898	\$ 1,027	\$ 1,065
City Attorney	6,893	6,460	6,486	6,890	6,731	6,860	7,389	7,679	8,059	8,636
City Auditor	821	802	800	898	1,045	1,069	1,103	1,117	1,046	960
City Court	4,964	5,421	5,530	5,509	6,047	6,298	6,558	6,475	7,357	7,823
City Manager	1,974	2,288	3,062	3,691	4,647	3,766	5,083	5,639	2,035	3,033
City Treasurer	5,658	5,792	6,071	8,209	9,825	9,688	9,593	10,327	11,683	12,338
Other General Government	-	-	-	-	-	-	-	-	10,567	8
Public Works	38,291	40,035	42,205	47,420	99,218	100,705	109,623	110,284	115,686	119,100
Community and Economic Development	102,892	102,813	102,153	102,680	41,946	35,999	46,396	49,554	51,851	50,400
Public Safety	136,261	172,452	153,256	153,817	173,352	172,141	175,466	182,910	206,102	221,440
Community Services	53,322	54,155	54,710	56,730	64,247	64,769	72,628	80,219	87,734	95,668
Administrative Services	20,264	19,326	21,173	17,974	19,375	19,189	24,705	21,486	34,605	32,174
Scottsdale AZ CARES	-	-	-	-	-	11,742	2,555	321	117	-
Streetslight and Service Districts	589	589	605	584	555	545	535	529	533	577
(Gain) Loss on In-Substance Defeasance of Debt	-	(32)	-	-	34	-	-	-	-	-
Interest on Long-Term Debt	31,665	28,462	28,724	26,364	23,928	17,043	16,857	15,619	16,029	14,290
Bond Issuance Costs	-	672	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	405,536	440,949	426,108	432,422	452,891	451,748	480,596	494,147	555,399	568,671
Business-type Activities										
Water Utility	100,854	95,745	96,493	96,010	105,222	106,778	109,606	117,079	124,386	126,586
Sewer Utility	42,058	50,535	52,142	50,462	57,847	54,152	55,167	66,634	58,401	46,530
Airport	3,894	4,151	7,624	5,370	6,764	7,024	9,150	9,257	9,685	11,009
Solid Waste	20,786	20,181	19,735	21,790	23,195	25,290	26,850	28,755	29,176	29,849
Total Business-type Activities Expenses	167,592	170,612	175,994	173,632	193,028	193,244	200,773	221,725	221,648	213,974
Total Primary Government Expenses	\$ 573,128	\$ 611,561	\$ 602,102	\$ 606,054	\$ 645,919	\$ 644,992	\$ 681,369	\$ 715,872	\$ 777,047	\$ 782,645

⁽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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Program Revenue										
Governmental Activities										
Charges for Services:										
General Government										
Mayor and City Council	\$ 155	\$ 157	\$ 149	\$ 142	\$ 146	\$ 160	\$ 162	\$ 175	\$ 70	\$ 88
City Clerk	148	178	165	171	227	175	173	154	66	74
City Attorney	656	688	1,082	792	795	741	597	702	1,514	1,563
City Auditor	176	167	181	203	210	221	218	222	145	145
City Court	-	-	-	-	-	-	-	-	-	-
City Manager	225	226	411	349	373	562	529	539	1,198	1,478
City Treasurer	2,610	2,583	2,688	3,036	3,045	3,521	3,542	4,612	7,436	7,728
Other General Government	-	-	-	-	-	-	-	-	-	-
Public Works	6,149	2,041	1,569	1,567	1,763	113	167	223	67	14
Community and Economic Development	17,464	18,455	19,503	20,562	22,102	17,457	41,773	17,655	21,993	23,531
Public Safety	11,459	11,739	11,203	11,107	11,088	10,251	11,891	11,104	14,002	16,421
Community Services	6,269	6,268	6,820	7,078	9,908	11,338	14,375	35,335	18,302	18,285
Administrative Services	2,926	3,096	3,094	2,617	2,815	1,987	2,954	2,971	2,498	203
Scottsdale AZ CARES	-	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	577	602	584	591	617	529	524	525	489	602
Operating Grants and Contributions	29,708	29,724	30,760	34,233	55,604	52,751	55,960	55,318	56,708	49,232
Capital Grants and Contributions	82,162	107,334	60,819	35,620	50,088	305,241	87,927	52,556	116,728	48,752
Total Governmental Activities Revenues	160,684	183,258	139,028	118,068	158,781	405,047	218,792	182,091	241,216	168,116
Business-type Activities										
Charges for Services:										
Water Utility	110,560	107,031	117,537	109,947	119,345	130,843	124,640	129,022	151,260	164,928
Sewer Utility	39,741	40,434	40,666	45,419	44,047	45,391	49,823	51,066	50,924	57,329
Airport	4,404	4,390	4,335	5,493	5,851	7,695	9,209	10,489	10,905	11,649
Solid Waste	20,120	20,269	19,687	21,344	22,650	25,532	27,177	31,080	33,738	36,656
Capital Grants and Contributions	22,545	17,539	23,865	17,833	26,631	34,573	38,822	31,597	43,641	31,074
Total Business-type Activities Revenues	197,370	189,663	206,090	200,036	218,524	244,034	249,671	253,254	290,468	301,636
Total Primary Government Revenues	\$ 358,054	\$ 372,921	\$ 345,118	\$ 318,104	\$ 377,305	\$ 649,081	\$ 468,463	\$ 435,345	\$ 531,684	\$ 469,752
Net (Expense)/Revenue										
Governmental Activities	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)	\$ (294,110)	\$ (46,701)	\$ (261,804)	\$ (312,056)	\$ (314,183)	\$ (400,555)
Business-type Activities	29,778	19,051	30,096	26,404	25,496	50,790	48,898	31,529	68,820	87,662
Total Primary Government Net Expense	\$ (215,074)	\$ (238,640)	\$ (256,984)	\$ (287,950)	\$ (268,614)	\$ 4,089	\$ (212,906)	\$ (280,527)	\$ (245,363)	\$ (312,893)

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

Table IIc

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274	\$ 316,478	\$ 340,559	\$ 408,581	\$ 424,622	\$ 431,798	\$ 434,283
Intergovernmental - Unrestricted	57,630	61,851	66,299	70,380	75,300	85,177	86,281	103,128	122,241	112,293
Interest and Investment Income	2,955	1,132	2,218	11,860	14,605	2,487	(13,201)	10,879	40,323	51,042
Miscellaneous and Special Items	9,987	10,568	10,548	9,130	7,248	10,387	16,088	14,493	16,697	15,926
Transfers	7,174	7,635	7,756	7,581	8,432	8,546	7,762	8,660	9,652	10,585
Total Governmental Activities	<u>343,162</u>	<u>343,330</u>	<u>374,277</u>	<u>405,225</u>	<u>422,063</u>	<u>447,156</u>	<u>505,511</u>	<u>561,782</u>	<u>620,711</u>	<u>624,129</u>
Business-type Activities										
Taxes	145	158	144	167	128	177	232	261	233	262
Interest and Investment Income	2,531	916	2,291	10,276	10,951	870	(7,590)	3,319	13,148	14,862
Transfers	<u>(7,174)</u>	<u>(7,635)</u>	<u>(7,756)</u>	<u>(7,581)</u>	<u>(8,432)</u>	<u>(8,546)</u>	<u>(7,762)</u>	<u>(8,660)</u>	<u>(9,652)</u>	<u>(10,585)</u>
Total Business-type Activities	<u>(4,498)</u>	<u>(6,561)</u>	<u>(5,321)</u>	<u>2,862</u>	<u>2,647</u>	<u>(7,499)</u>	<u>(15,120)</u>	<u>(5,080)</u>	<u>3,729</u>	<u>4,539</u>
Total Primary Government	<u>\$ 338,664</u>	<u>\$ 336,769</u>	<u>\$ 368,956</u>	<u>\$ 408,087</u>	<u>\$ 424,710</u>	<u>\$ 439,657</u>	<u>\$ 490,391</u>	<u>\$ 556,702</u>	<u>\$ 624,440</u>	<u>\$ 628,668</u>
Change in Net Position										
Governmental Activities	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871	\$ 127,953	\$ 400,455	\$ 243,707	\$ 249,726	\$ 306,528	\$ 223,574
Business-type Activities	<u>25,280</u>	<u>12,490</u>	<u>24,775</u>	<u>29,266</u>	<u>28,143</u>	<u>43,291</u>	<u>33,778</u>	<u>26,449</u>	<u>72,549</u>	<u>92,201</u>
Total Primary Government	<u>\$ 123,590</u>	<u>\$ 98,129</u>	<u>\$ 111,972</u>	<u>\$ 120,137</u>	<u>\$ 156,096</u>	<u>\$ 443,746</u>	<u>\$ 277,485</u>	<u>\$ 276,175</u>	<u>\$ 379,077</u>	<u>\$ 315,775</u>

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

Table III

	2016	2017	2018 ⁽¹⁾	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 249	\$ 269	\$ 264	\$ 271	\$ 278	\$ 304	\$ 404	\$ 486	\$ 570	\$ 18,356
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	65,347	58,518	72,809	97,097	136,390	170,994	191,490	226,509	246,432	285,927
Total General Fund	\$ 65,596	\$ 58,787	\$ 73,073	\$ 97,368	\$ 136,668	\$ 171,298	\$ 191,894	\$ 226,995	\$ 247,002	\$ 304,283
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 619	\$ 604	\$ 555	\$ 681	\$ 599	\$ 609	\$ 644	\$ 675
Restricted	116,847	105,777	115,391	112,267	133,424	200,495	250,160	342,895	328,284	460,246
Committed	52,508	58,644	62,867	65,100	67,703	81,703	98,518	155,759	204,861	180,453
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, Reported in:										
Special Revenue Funds	(1,010)	(2,175)	(681)	(708)	(2,807)	(2,111)	(4,153)	(3,959)	(4,174)	(1,967)
Debt Service Funds	-	-	-	(589)	-	-	-	-	(171)	-
Capital Project Funds	(4,720)	(11,205)	(6,957)	(13,154)	(7,594)	(4,689)	(24,834)	(23,171)	(45,328)	(14,541)
Total All Other Governmental Funds	\$ 163,625	\$ 151,041	\$ 171,239	\$ 163,520	\$ 191,281	\$ 276,079	\$ 320,290	\$ 472,133	\$ 484,116	\$ 624,866

⁽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

	2016 ⁽¹⁾	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes - Local	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433	\$ 317,143	\$ 340,782	\$ 409,773	\$ 438,942	\$ 434,239	\$ 441,472
Taxes - Intergovernmental	70,526	75,978	81,197	83,962	87,760	98,603	99,642	114,500	133,032	122,415
Business and Liquor Licenses	1,894	1,861	1,768	1,918	1,869	1,708	1,915	2,862	2,746	2,721
Charges for Current Services	24,404	25,225	27,063	29,774	30,009	34,702	36,960	35,960	41,176	46,124
Fines, Fees, and Forfeitures	10,617	10,532	10,387	8,960	8,831	7,816	8,679	8,074	10,619	11,244
Property Rental	4,922	5,854	5,859	6,089	4,031	7,221	11,366	10,045	11,884	12,472
Interest Earnings	2,373	2,634	4,224	6,956	8,595	6,790	6,379	14,029	25,456	28,795
Net Increase (Decrease) in the Fair Value of Investments	582	(1,502)	(2,006)	4,904	6,010	(4,303)	(19,580)	(3,150)	14,867	22,247
Intergovernmental	16,070	20,725	27,335	25,479	47,850	36,004	40,157	59,267	48,223	73,856
Developer Contributions	319	498	835	412	1,128	2,723	4,012	7,679	3,478	3,639
Streetlight and Services Districts	577	602	584	591	617	529	524	525	489	602
Contributions and Donations	2,268	2,589	2,333	2,575	9,069	4,398	3,841	3,640	2,430	3,141
Reimbursements from Outside Sources	1,942	2,266	1,840	2,415	2,193	2,121	4,058	1,989	2,515	1,976
Indirect Costs	6,501	6,993	7,455	6,899	7,614	7,370	7,217	7,191	8,313	9,345
Other	954	1,110	869	751	737	488	1,037	2,264	1,261	1,374
Total Revenues	\$ 408,363	\$ 419,664	\$ 458,078	\$ 492,118	\$ 533,456	\$ 546,952	\$ 615,980	\$ 703,817	\$ 740,728	\$ 781,423

⁽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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenditures										
General Government										
Mayor and City Council										
City Clerk	\$ 818	\$ 887	\$ 653	\$ 747	\$ 782	\$ 723	\$ 878	\$ 930	\$ 1,035	1,095
City Attorney	1,138	873	735	1,004	1,163	1,246	1,256	1,082	972	1,180
City Auditor	7,118	6,576	6,747	7,471	6,826	6,597	7,276	7,565	8,052	9,106
City Court	824	823	816	948	1,049	1,045	1,099	1,197	1,063	981
City Manager	4,975	5,381	5,692	5,797	5,970	6,194	6,528	6,696	7,330	7,939
City Treasurer	1,965	2,200	3,094	3,746	4,531	3,621	4,987	5,877	1,812	3,026
Other General Government	5,785	5,657	5,979	8,593	9,714	9,418	9,544	10,632	11,558	13,971
Public Works	-	-	-	-	-	-	-	-	10,567	8
Community and Economic Development	32,850	33,636	35,013	35,154	44,382	41,410	45,228	48,271	52,940	56,922
Public Safety	42,735	46,320	47,696	48,860	34,431	31,259	41,973	45,541	46,821	48,041
Community Services	128,527	137,304	136,075	146,250	157,557	153,754	210,701	198,067	209,835	217,099
Administrative Services	45,508	46,224	47,056	48,786	52,924	48,034	56,679	67,439	68,445	74,128
Scottsdale AZ CARES	15,648	15,919	16,309	15,279	14,727	19,307	17,167	18,392	27,550	28,726
Streetsight and Services Districts	-	-	-	-	-	12,974	2,259	-	-	-
Debt Service	589	589	605	584	555	545	535	529	533	577
Principal	53,313	57,956	68,017	66,053	70,076	68,955	70,557	70,918	81,447	80,808
Interest and Fiscal Charges	34,664	31,285	32,052	29,752	27,854	20,634	19,111	17,918	17,740	15,496
Payment to Refunded Bonds Escrow Agent	-	-	-	-	6,983	-	-	-	-	-
Bond Issuance Costs	-	672	241	-	508	1,745	-	845	-	522
Capital Outlay	26,674	75,099	54,311	64,395	80,009	70,417	87,417	148,652	187,042	144,891
Total Expenditures	\$ 403,131	\$ 467,401	\$ 461,091	\$ 483,419	\$ 520,041	\$ 497,878	\$ 583,195	\$ 650,551	\$ 734,742	\$ 704,516
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699	\$ 13,415	\$ 49,074	\$ 32,785	\$ 53,266	\$ 5,986	\$ 76,907

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

	2016 ⁽⁰⁾	2017	2018	2019	2020	2021	2022	2023	2024	2025
Other Financing Sources (Uses)										
Transfers In	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177	\$ 119,124	\$ 135,337	\$ 136,575	\$ 178,154	\$ 204,755	\$ 160,804
Transfers Out	(79,079)	(94,074)	(96,272)	(100,735)	(110,525)	(126,874)	(129,030)	(169,542)	(195,142)	(150,201)
Financing of Leases	-	-	-	244	1,025	122	1,517	916	1,978	1,940
Financing of Subscription-Based I.T. Arrangements	-	-	-	-	-	4,746	302	2,486	11,944	779
Financing of Contracts Payable	-	-	-	-	-	-	1,009	265	1,876	-
Issuance of Refunding Bonds	-	58,480	-	-	2,563	239,545	-	-	-	-
Issuance of Long-Term Capital-Related Debt	-	17,410	25,500	-	42,550	51,160	-	73,705	-	102,250
Premium on Long-Term Debt Issued	-	12,955	3,496	-	1,323	4,200	-	4,850	-	5,275
Payment to Refunded Bonds Escrow Agent	-	(68,105)	-	-	(2,563)	(238,102)	-	-	-	-
Sale of General Capital Assets	4,806	251	214	191	149	220	21,649	42,844	593	277
Total Other Financing Sources (Uses)	10,807	28,344	36,864	7,877	53,646	70,354	32,022	133,678	26,004	121,124
Net Change in Fund Balances	\$ 16,039	\$ (19,393)	\$ 33,851	\$ 16,576	\$ 67,061	\$ 119,428	\$ 64,807	\$ 186,944	\$ 31,990	\$ 198,031
Debt Service as a Percentage of Non-capital Expenditures	23.4%	22.7%	24.3%	22.5%	22.2%	21.0%	18.1%	17.7%	18.1%	17.2%

⁰⁾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
Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table V

Fiscal Year	Sales and Use Taxes					
	Privilege and Use -		Privilege and Use -		Privilege and Use -	
	Property	General	McDowell Mtn Preserve	Transportation	Public Safety	Transient Occupancy
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
2025	73,260	179,114	61,647	51,688	17,613	34,735

Fiscal Year	Franchise Taxes			Intergovernmental	
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	
				Other	
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
2025	3,164	11,259	37,509	51,990	8,795

⁽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

	2016	2017 ⁽¹⁾	2018	2019 ⁽²⁾	2020	2021	2022	2023	2024	2025 ⁽³⁾
Amusement										
Automotive	\$ 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	\$ 2,138,488
Construction	969,281	901,684	962,050	997,164	1,044,980	1,223,155	1,193,366	1,596,705	1,748,177	1,913,684
Food Stores	713,187	677,978	763,117	796,551	860,447	883,237	878,442	945,114	985,835	960,056
Hotel/Motel	543,121	641,146	682,078	730,329	595,455	551,361	965,649	1,053,661	1,022,072	1,037,902
Major Department Stores	927,469	888,674	966,996	970,656	944,390	1,037,297	1,147,151	1,205,502	1,192,745	1,180,016
Manufacturing										
Miscellaneous Retail Stores	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	4,022,080
Other Taxable Activity	728,596	756,718	926,445	1,059,397	1,119,896	1,368,741	1,697,911	1,881,617	1,917,642	323,539
Rentals	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	1,885,118
Restaurants	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	1,673,451
Services with Retail Sales										826,674
Utilities	497,773	451,318	467,609	455,118	466,345	476,372	478,033	524,314	553,790	565,974
Wholesale										381,735
Total	\$ 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	\$ 17,452,576
City Sales Tax	1.65%	1.65%	1.65%	1.75%	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%.

⁽³⁾ Four new categories were extracted from Other Taxable Activity: Amusement, Manufacturing, Services with Retail Sales, and Wholesale. Effective July 1, 2025, the privilege tax rate decreased to 1.70%.

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
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%
2025	1.75% ⁽³⁾	0.70%	5.60%	2025	1.55% ⁽³⁾	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
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 ⁽¹⁾	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
2025	5.00%	1.77%	5.50%	2025	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%.

⁽³⁾ Effective July 1, 2025, the city transaction privilege tax rate decreased to 1.70% and the use tax rate decreased to 1.5%.

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

Table VIII

	Fiscal Year 2025			Fiscal Year 2016		
	Number of Filers	Percentage of Total	Tax Revenue	Number of Filers	Percentage of Total	Tax Revenue
Amusement	480	1.19%	\$ 37,637			
Automotive	731	1.81%	34,296	593	2.52%	\$ 23,674
Construction	2,806	6.95%	16,670	5,832	24.75%	16,995
Food Stores	265	0.66%	18,419	185	0.79%	11,820
Hotel/Motel	518	1.28%	20,870	78	0.33%	9,175
Major Department Stores	28	0.07%	69,712	26	0.11%	15,291
Manufacturing	4,837	11.98%	6,036			
Miscellaneous Retail Stores	10,661	26.41%	33,283	5,456	23.15%	29,959
Other Taxable Activity	2,332	5.78%	29,581	4,380	18.59%	16,751
Rentals	7,926	19.64%	10,100	5,632	23.90%	23,897
Restaurants	965	2.39%	5,550	1,070	4.54%	16,101
Services with Retail Sales	4,681	11.60%	4,757			
Utilities	489	1.21%	7,302	312	1.32%	7,455
Wholesale	3,644	9.03%	16,110			
Total	40,363	100.00%	\$ 310,323	23,564	100.00%	\$ 171,118
						100.00%

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%. Effective July 1, 2025, the transaction privilege tax rate decreased to 1.70% and the use tax rate decreased to 1.50%. Fiscal Year 2025 split out additional industries from the other taxable activity category: Amusement, Manufacturing, Services with Retail Sales, and Wholesale.

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

Table IX

City Direct Rate					Overlapping Rates				
Scottsdale Unified School District					Scottsdale Unified School District				
Fiscal Year	Operating	Debt Service	Total City		Operating	Debt Service and Budget Override	EVIT	Total School	
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	
2025	0.4958	0.4358	0.9316		2.2289	1.0215	0.0500	3.3004	

County-Wide Jurisdictions									
Fiscal Year	County Operating	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total Direct and Overlapping
2016	\$ 1.3609	\$ 1.4940	\$ 0.1592	\$ 0.5054	\$ 0.0116	\$ 0.1400	\$ 0.0556	\$ 0.3021	\$ 4.0288
2017	1.4009	1.4651	0.1792	0.5010	0.0112	0.1400	0.0556	0.3053	4.0583
2018	1.4009	1.4096	0.1792	0.4875	0.0102	0.1400	0.0556	0.2851	3.9681
2019	1.4009	1.3754	0.1792	0.4741	0.0107	0.1400	0.0556	0.2941	3.9300
2020	1.4009	1.3285	0.1792	0.4566	0.0095	0.1400	0.0556	0.3333	3.9036
2021	1.4009	1.2881	0.1792	0.4426	0.0090	0.1400	0.0556	0.3046	3.8200
2022	1.3459	1.2257	0.1792	0.4263	0.0086	0.1400	0.0556	0.2970	3.6783
2023	1.2473	1.1894	0.1592	0.0000	0.0082	0.1400	0.0505	0.2488	3.0434
2024	1.2044	1.1388	0.1536	0.0000	0.0081	0.1400	0.0488	0.2716	2.9653
2025	1.1591	1.1047	0.1470	0.0000	0.0080	0.1400	0.0470	0.2665	2.8723

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2024".
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 2025 the rates were as follows: DC Ranch CFD - \$0.4108 and the Waterfront Commercial CFD - \$4.6196.

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

Table X

	2025				2016			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	
Arizona Public Service Company	\$ 79,127	1	0.990%		\$ 59,358	1	1.150%	
Scottsdale Fashion Square LLC ⁽¹⁾	48,124	2	0.602%		27,657	2	0.536%	
SDQ FEE LLC	24,454	3	0.306%		17,359	3	0.336%	
18700 Hayden Road LLC (Cavasson)	23,172	4	0.290%		-	-	-	
Camden USA Inc	19,844	5	0.248%		-	-	-	
FMT Scottsdale Owner LLC (IMPS)	17,270	6	0.216%		-	-	-	
Weingarten Nostat Inc.	17,031	7	0.213%		-	-	-	
Portales Corporate Center LLC	15,996	8	0.200%		12,717	8	0.246%	
Scottsdale Promenade LLC ⁽²⁾	14,620	9	0.183%		13,029	7	0.252%	
Southwest Gas Corporation	14,249	10	0.178%		-	-	-	
General Dynamics Decision Systems Inc	-	-	-		-	-	-	
Ganey Drive Associates	-	-	-		13,712	4	0.266%	
Scottsdale Fashion Square LLC	-	-	-		13,303	5	0.258%	
Qwest Corporation	-	-	-		13,183	6	0.255%	
WJ Small Grandchildren Trust/Etal	-	-	-		12,344	9	0.239%	
Dial Corporation	-	-	-		10,470	10	0.203%	
Total	\$ 273,887		3.426%		\$ 193,132		3.741%	

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 2024 assessed valuation of the SRP within the city is \$21,187,923 as provided by SRP.

⁽¹⁾ In 2016, Scottsdale Fashion Square was listed twice. Scottsdale Fashion Square LLC/Etal and Scottsdale Fashion Square LLC were listed in the Principal Property Taxpayers.

⁽²⁾ Scottsdale Promenade LLC was known as Excel Promenade in 2016. Excel Promenade was acquired by Scottsdale Promenade LLC in 2022.

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			Personal Property		Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value			
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
2025 P	5,995,210	1,659,544	823,378	3,206	214,400	(700,663)	7,995,077	0.50
2025 S	10,867,077	2,683,421	1,649,457	6,626	215,458	(1,288,976)	14,133,063	0.44

Source: Arizona Department of Revenue Abstract of the Assessment Roll and Maricopa County Tax Levy Reports on County Finance website.

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

Table XII

Fiscal Year Ended June 30	Collected within the Fiscal Year of the Levy				Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy for Fiscal Year	Adjusted Total Tax Levy as of Current Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2016	59,533	59,115	58,714	98.6%	378	59,092	100.0%
2017	60,982	60,413	60,056	98.5%	251	60,307	99.8%
2018	61,861	61,095	60,721	98.2%	280	61,001	99.8%
2019	65,816	64,873	64,982	98.3%	(115)	64,867	100.0%
2020	65,521	64,395	64,273	97.6%	118	64,391	100.0%
2021	68,465	66,926	67,423	98.8%	(501)	66,922	100.0%
2022	70,334	68,459	69,082	98.2%	(629)	68,453	100.0%
2023	66,494	64,478	65,395	98.3%	(922)	64,473	100.0%
2024	75,522	73,157	73,502	97.3%	(378)	73,124	100.0%
2025	73,002	72,814	71,887	98.5%	-	71,887	98.7%

Source: "Total Tax Levy for Fiscal Year" amounts = Maricopa County Tax Levy Reports on County Finance website, including resolution adjustments. "Collections" amounts = Maricopa County Finance Office Secured Tax Levy Report. "Adjusted Levy" reflects "Resolution" amounts. 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									
	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	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2016	585,931	232,970	43,489	9,546	24,694	-	156	2,683	-	-
2017	590,910	221,535	17,823	7,264	21,860	-	95	2,529	-	-
2018	568,259	208,828	13,215	4,914	19,244	-	32	2,375	-	-
2019	521,632	193,165	8,432	2,493	16,707	-	219	2,221	-	-
2020	467,788	218,786	2,825	-	13,808	-	2,373	2,068	-	-
2021	475,212	202,825	1,448	-	11,084	451	1,799	1,914	4,387	-
2022	421,589	187,101	-	-	8,256	1,314	2,568	1,760	3,417	-
2023	442,783	172,808	-	-	6,740	1,083	2,947	4,620	4,363	-
2024	378,783	158,287	-	-	5,391	1,786	3,997	4,368	9,811	-
2025	428,029	138,005	-	-	3,997	1,373	4,596	4,084	7,930	-

Business-type Activities									
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Leases	Subscriptions	Total Primary Government	Percentage of Personal Income	Per Capita		
	\$	\$	\$	\$	\$		\$		
2016	28,176	295,807	-	-	1,223,452	10.26%	5,292		
2017	24,710	353,773	-	-	1,240,499	9.98%	5,212		
2018	21,069	336,407	-	-	1,174,343	8.96%	4,843		
2019	17,258	318,235	-	-	1,080,362	7.45%	4,232		
2020	13,262	299,138	-	-	1,020,048	6.59%	3,952		
2021	9,062	285,707	-	70	993,959	6.57%	4,118		
2022	4,646	265,472	-	24	896,147	5.68%	3,691		
2023	-	242,431	96	144	878,015	5.16%	3,612		
2024	-	218,305	116	84	780,928	4.12%	3,195		
2025	-	319,285	83	175	907,557	4.46%	3,687		

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 Activities - General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Total Taxable Assessed Value of Property	Per Capita
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
2025	428,029	7,523	420,506	3.0%	1,708

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, 2025
(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	\$ 26,675	13.7069%	\$ 3,656
Maricopa County Special Healthcare District	512,560	13.7069%	70,256
Balsz Elementary School District No. 31	47,575	6.1087%	2,906
Scottsdale Unified School District No. 48	228,229	69.3641%	158,309
Paradise Valley Unified School District No. 69	351,583	29.5379%	103,850
Cave Creek Unified School District No. 93	16,160	62.2436%	10,059
Fountain Hills Unified School District No. 98	2,570	3.3749%	87
Phoenix Union High School District No. 210	455,605	0.3624%	1,651
Western Maricopa Education Center District No. 402	80,870	6.1030%	4,935
Subtotal, overlapping debt			355,709
City direct debt	588,014	100.0000%	588,014
Total direct and overlapping debt			<u>\$ 943,723</u>

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 2024 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 2024-25 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

	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019	2020	2021	2022	2023	2024	2025
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 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	\$ 2,826,613
Total Net Debt Applicable to 20% Limit	513,768	521,179	511,046	479,265	433,865	444,366	395,172	411,487	351,404	388,518
Excess Premium		8,180	10,637	10,415	10,181	12,713	11,549	13,996	12,193	15,288
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 677,510	\$ 754,505	\$ 864,004	\$ 954,974	\$ 1,096,333	\$ 1,173,861	\$ 1,335,418	\$ 1,414,254	\$ 1,915,254	\$ 2,422,807
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	43.13%	41.23%	37.65%	33.90%	28.83%	28.03%	23.35%	23.13%	15.96%	14.29%
6% Limitation										
Debt Limit Equal to 6% of Assessed Valuation	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396	\$ 462,114	\$ 489,282	\$ 522,642	\$ 551,921	\$ 683,655	\$ 847,984
Total Net Debt Applicable to 6% Limit	37,747	26,116	14,419	3,950	-	3,859	3,713	8,128	7,706	17,247
Excess Premium		-	-	-	-	426	410	929	881	1,307
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 319,637	\$ 359,043	\$ 401,287	\$ 429,446	\$ 462,114	\$ 484,997	\$ 518,519	\$ 542,864	\$ 675,068	\$ 829,430
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	10.56%	6.78%	3.47%	0.91%	0.00%	0.88%	0.79%	1.64%	1.26%	2.19%

⁽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, 2025
(in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed Valuation as of June 30, 2025	\$ 14,133,063
<u>20% Limitation</u>	
Debt Limit Equal to 20% of Assessed Valuation	\$ 2,826,613
Debt applicable to limit: General Obligation Bonds	388,518
Excess Premium	15,288
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 2,422,807
<u>6% Limitation</u>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 847,984
Debt applicable to limit: General Obligation Bonds	17,247
Excess Premium	1,307
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 829,430

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 Principal	Debt Service Interest	Coverage	Excise Tax ⁽²⁾	Debt Service Principal ⁽³⁾	Debt Service Interest ⁽³⁾	Coverage		
2016	\$ 152,612	\$ 81,586	\$ 71,026	\$ 5,156	\$ 76,182	\$ 3,055	\$ 1,487	16.77	\$ 194,560	\$ 20,215	\$ 23,220	4.48		
2017	148,310	85,909	62,401	6,072	68,473	3,195	1,354	15.05	196,729	22,550	21,599	4.46		
2018	160,161	87,130	73,031	6,525	79,556	3,370	1,195	17.43	216,643	26,290	23,908	4.32		
2019	164,487	82,748	81,739	4,256	85,995	3,540	1,026	18.83	223,668	30,210	22,474	4.25		
2020	173,739	98,549	75,190	7,777	82,967	3,725	849	18.14	230,539	33,675	21,906	4.15		
2021	177,073	94,052	83,021	5,257	88,278	3,930	654	19.26	251,375	31,625	18,742	4.99		
2022	167,200	97,184	70,016	5,902	75,918	4,145	447	16.53	284,031	32,795	15,929	5.83		
2023	183,228	116,266	66,962	3,278	70,240	4,375	230	15.25	314,347	34,170	14,562	6.45		
2024	-	-	-	-	N/A	-	-	N/A	332,395	35,935	13,061	6.78		
2025	-	-	-	-	N/A	-	-	N/A	317,103	36,740	11,390	6.59		

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
2025	-	-	-	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⁾
2016	231,200	\$ 11,921,597	\$ 51,564	46.1	25,979	4.3%
2017	238,000	12,428,360	52,220	46.3	25,847	4.0%
2018	242,500	13,109,550	54,060	46.3	25,598	3.7%
2019	255,300	14,499,508	56,794	46.9	25,281	3.9%
2020	258,100	15,473,869	59,953	47.0	25,606	5.7%
2021	241,361	15,128,990	62,682	47.7	25,800	5.7%
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	3.1%
2024	244,394	18,963,508	77,594	48.7	23,182	2.9%
2025	246,170	20,357,520	82,697	49.8	24,191	3.1%

Data Sources and Notes:

⁽¹⁾ U.S. Census; fiscal years 2016-2021 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.

Fiscal year 2024 Source: <https://www.census.gov/quickfacts/fact/table/scottsdalecityarizona/PST045221>

Fiscal year 2024 Source: <https://www.census.gov/quickfacts/fact/table/scottsdalecityarizona/INC910223>

⁽²⁾ Calculated by multiplying Per Capita Personal Income by Total Population divided by 1,000.

⁽³⁾ Fiscal year 2016-2023: U.S. Census, American Community Survey, 5-Year Estimates.

Fiscal year 2024 Source: <https://www.census.gov/quickfacts/fact/table/scottsdalecityarizona/PST045221>

Fiscal year 2025 Source: <https://www.census.gov/quickfacts/fact/table/scottsdalecityarizona/POP645223>

⁽⁴⁾ U.S. Census, American Community Survey, 5-Year Estimates.

⁽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⁾ Arizona Office of Economic Opportunity, Prepared in Cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. Prior year data adjusted.

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

Table XIX

	2025			2016		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment
HonorHealth	7,451	1	3.37%	6,382	1	5.01%
Vanguard	3,073	2	1.39%	2,500	4	1.96%
City of Scottsdale	2,818	3	1.27%	2,148	5	1.69%
Scottsdale Unified School District ⁽¹⁾	2,557	4	1.15%	2,583	3	2.03%
General Dynamics Mission Systems	2,475	5	1.12%	1,945	6	1.53%
Axon	1,752	6	0.79%			
Mayo Clinic	1,559	7	0.70%	1,851	7	1.45%
Fairmont Scottsdale Princess	1,413	8	0.64%			
CVS Health	1,250	9	0.56%	2,800	2	2.20%
Nationwide	1,134	10	0.51%	1,800	8	1.41%
McKesson Corporation				1,350	9	1.06%
Yelp				1,000	10	0.79%
Total	25,482		11.51%	24,359		19.13%

Source: City of Scottsdale, Economic Development Department communications with employers, July 2025.

⁽¹⁾Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2025 numbers only report Scottsdale-based employees.

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

Table XX

Function	2016	2017	2018 ⁽¹⁾	2019 ⁽²⁾	2020 ⁽³⁾	2021	2022	2023	2024 ⁽⁴⁾	2025
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	7.0	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	63.5	63.5	63.5	63.5	63.5	63.5	63.5
City Auditor	6.0	6.0	6.0	6.5	6.5	6.5	6.8	6.8	6.8	6.8
City Court	58.5	58.5	58.5	58.5	61.0	60.0	60.0	60.6	60.6	60.6
City Manager	7.2	7.2	16.2	17.2	25.3	24.2	26.2	26.7	9.2	13.7
City Treasurer	89.8	86.7	86.7	101.7	102.7	102.5	102.5	102.5	106.5	105.5
Public Works	205.8	206.8	210.8	210.8	237.0	238.2	241.5	243.7	249.7	250.7
Community and Economic Development	185.1	186.6	179.6	182.2	126.3	127.3	128.3	130.7	137.4	137.4
Public Safety	942.7	936.7	937.7	952.7	963.1	971.7	971.9	993.4	1,001.4	1,055.9
Community Services	469.6	474.6	476.7	476.9	511.2	502.5	505.0	502.3	508.6	510.1
Administrative Services	123.6	125.1	124.1	102.1	95.5	97.5	100.0	104.0	133.0	133.0
Water/Sewer Utilities	211.3	213.3	214.5	215.9	217.9	215.9	217.9	220.9	223.4	244.4
Airport	14.5	14.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Solid Waste	90.8	92.8	92.8	96.8	96.4	96.4	99.4	101.4	106.4	106.4
Total	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	2,720.5

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	39%	35%	35%	35%	28%	20%	27%	27%	29%	32%
<i>City Auditor</i>										
# of reports performed	13	13	15	14	11	14	13	10	12	12
<i>City Clerk</i>										
# of legal postings	1,000	1,067	1,033	946	950	912	882	1,017	981	1,237
# of minutes	61	56	70	63	59	63	67	70	64	70
<i>City Court</i>										
Charges filed/	100,920/	100,092/	95,301/	83,471/	88,444/	74,419/	96,471/	96,157/	91,958 /	90,577 / 81,588
charges adjudicated (resolved)	92,993	85,295	84,602	78,390	77,118	65,915	83,783	88,418	88,677	
<i>City Treasurer</i>										
# of Accounts Payable payments issued ⁽²⁾	31,648	31,268	32,074	30,401	29,206	28,051	29,205	29,399	46,904	47,760
# of customer contacts (utilities and licensing)	190,422	195,819	256,784	140,915	96,201	101,694	104,226	125,589	126,983	146,780
# of Purchasing purchase orders ⁽³⁾	5,078	5,143	4,989	4,984	4,725	4,356	4,205	4,217	4,199	4,070
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent ⁽⁴⁾	No Survey	96%	No Survey	96%	No Survey	97%	No Survey	95%	No Survey	91%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent ⁽⁵⁾	No Survey	93%	No Survey	97%	No Survey	94%	No Survey	92%	No Survey	93%
Total ad value equivalency generated ⁽⁶⁾	N/A	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	420	0	0	0	0	0	0	0	0
% increase of Neighborhood Watch groups annually	5%	5%	2%	7%	1%	2%	4%	10%	21%	4%
Administrative Services										
<i>Human Resources</i>										
Citywide turnover ⁽⁷⁾	9.6%	8.1%	9.8%	9.3%	10.7%	9.5%	20.4%	16.1%	12.7%	12.8%
HR operating cost as a % of city payroll	1.1%	1.2%	1.3%	1.2%	1.2%	1.2%	1.0%	1.1%	1.0%	1.3%
<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)	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	1,486,674
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	58.6	67.2	82.8	86.9	98.3	103.5	114.0	159.0	162.0	179.5

(continued)

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

Table XXI

Division	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Community Services										
<i>Preserve</i>										
McDowell Sonoran Preserve Annual Visitors – All trailheads	706,682	698,090	732,510	747,000	936,000	992,000	882,669	870,000	815,000	820,120
<i>Parks and Recreation</i>										
# of square feet of medians and rights of way maintained	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	30,313,634
<i>WestWorld</i>										
# of special events at WestWorld®	51	55	49	46	30	48	35	42	45	41
Community and Economic Development										
<i>Planning and Development Services</i>										
Customer wait-time (in minutes) at One Stop Shop	12	15	13	14	13	7	5	4	5	5
Provide applicant with pre-application meeting within 30 days of submitting request	95%	100%	99%	99%	100%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	98%	98%	98%	98%	99%	99%	99%	100%	100%	98%
# of new Code Enforcement cases processed per year	13,781	13,797	12,594	13,676	12,358	12,076	11,226	12,251	9,941	21,131
<i>Economic Development</i>										
Targeted job creation - # of companies/# of jobs	9 / 1,183	14 / 1,019	12 / 1,852	14 / 1,531	9 / 603	7 / 1,005	9 / 769	12 / 797	5 / 1,063	5 / 730
<i>Tourism</i>										
Hotel/Motel average occupancy rate	67.9%	75.1%	69.1%	70.2%	55.6%	47.1%	61.9%	66.1%	65.0%	65.1%
# of Downtown special events coordinated	277	174	173	155	129	43	188	182	161	174
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	162,535	164,622	166,425	176,677	191,284	192,185	155,092	167,641	171,539	164,443
Public Safety										
<i>Police</i>										
# of calls for service ⁽⁹⁾	233,531	268,767	271,438	267,923	272,696	238,349	255,691	229,060	217,993	216,850
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident-related calls)	5:12	4:48	4:57	5:05	5:36	5:24	5:36	6:04	6:07	5:46
Percent of Emergency Calls Answered within 10 seconds (Target 91% of the time)	91%	93%	98%	94%	88%	91%	92%	85%	88%	87%
<i>Fire</i>										
Total incidents	35,098	36,407	36,877	37,750	37,456	37,317	41,353	40,675	37,940	38,960
Responses per capita	0.15	0.16	0.15	0.15	0.15	0.14	0.17	0.17	0.16	0.16
Travel time (enroute to onscene)	4:32	4:37	4:46	4:52	5:16	5:29	5:21	5:23	5:21	5:23

(continued)

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

Table XXI

Division	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Works										
<i>Public Works</i>										
Facility inventory maintained (square feet) ^(a)	2,925,697	2,925,697	2,925,697	2,961,661	2,978,196	2,978,196	3,012,519	3,044,769	2,960,169	3,000,722
# of active Capital Projects managed by CPM	155	150	161	180	185	190	196	171	173	151
<i>Solid Waste</i>										
# of homes serviced by Residential Refuse Collection	81,187	81,665	82,236	82,711	83,189	83,680	83,993	84,905	84,976	85,186
# of citizens serviced annually by Household Hazardous Waste collection program	3,345	2,770	2,509	2,629	2,426	2,393	2,581	2,449	2,594	2,503
<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) ^(b)	6,638	9,737	8,697	4,748	2,176	2,657	2,780	3,783	5,239	3,684
Total citywide transit ridership ^(c)	2,297,323	2,186,424	2,178,152	1,933,249	1,501,663	646,306	644,306	828,029	858,955	955,664
Water Resources										
Water Service Connections	89,596	90,172	90,817	91,279	91,802	92,590	93,027	93,402	93,788	94,087
Drinking Water Supplied (million gallons per day)	67.5	67.0	70.9	66.3	67.6	74.0	67.7	65.8	68.7	71.8
Reclaimed Water Supplied (million gallons per day)	9.1	11.6	12.2	11.9	11.6	12.0	11.1	12.7	12.3	11.9
Sewer Service Connections	80,202	80,704	81,306	81,841	82,320	82,834	83,268	83,792	84,276	84,691
Sewage Treated (million gallons per day)	20.5	21.4	22.1	22.1	21.6	22.2	22.8	22.0	21.5	21.1
# of water meters read annually	1,078,500	1,085,590	1,072,498	1,099,164	1,099,085	1,110,050	1,112,651	1,121,844	1,123,745	1,128,072

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 2025 Budget.

^(a)Effective fiscal year 2022 the # of Accounts Payable payments issued figure presented includes all electronic payments.

^(b)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.

^(c)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"](https://www.scottsdaleaz.gov/search/Survey).

^(d)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.

^(e)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.

^(f)Effective fiscal year 2022 the increase in the citywide turnover rate is due to a methodology change.

^(g)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.

^(h)Measure is for the prior calendar year end, rather than fiscal year end.

⁽ⁱ⁾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.

^(j)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.

^(k)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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	344	344	343	343	341	344	352	355	365	368
Fire Stations	15	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement ⁽¹⁾	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	20,430,847
Equivalent 12' Wide Lane Miles	2,877	2,846	2,990	2,851	2,831	2,852	2,852	2,801	2,852	2,902
Traffic Signals	307	295	296	296	308	311	315	314	320	337
Culture and Recreation										
Parks	42	42	42	42	42	43	44	44	45	46
Parks Acreage	975	975	975	975	975	975	982	982	1,116	1,116
Aquatic Centers	4	4	4	4	4	4	4	4	4	4
Tennis/Pickleball Courts	64	64	64	70	70	70	72	72	74	74
Community Centers	6	6	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,094	2,102	2,117	2,124	2,133	2,143	2,148	2,152	2,167	2,167
Fire Hydrants	11,052	11,135	11,213	11,301	11,375	11,480	11,582	11,622	11,676	11,677
Sewer										
Sanitary Sewers (miles)	1,452	1,456	1,468	1,483	1,505	1,513	1,520	1,524	1,538	1,539
Storm Sewers (miles)	285	309	316	325	330	337	342	347	358	361

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**

November 17, 2025

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, 2025. 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.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The City's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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, other than those that are clearly trivial, 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.

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?

June 2, 2025

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, 2025. 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, 2025.

Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), and GASB-required supplementary pension and other post-employment benefit information 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 (GAAS). 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 GAAP 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 schedules

We have also been engaged to report on supplementary information other than RSI 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 themselves, and other additional procedures in accordance with GAAS, 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

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. McDowell Mountain Ranch Community Facilities District Annual Financial Report
6. DC Ranch Community Facilities District Annual Financial Report
7. Via Linda Road Community Facilities District Annual Financial Report
8. 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 GAAP and report on the fairness of the supplementary information when considered in relation to the financial statements as a whole. 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 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 GAAS; 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 for the City, 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 GAAS 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 waste and 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. However, auditors may consider whether and how to communicate such matters if they become aware of them. Auditors may discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contract and grant agreements.

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 GAAS 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.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

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.

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

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including the system of internal control, 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 the provisions of 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.

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 with the oversight of those charged with governance; 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) 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 management 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 (GAAP). 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 GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (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 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.

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.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management of the Financial Statements* section of this letter.

Timeliness of Financial Reporting and the Audit

One basic characteristic of financial reporting is timeliness, which indicates that if financial statements are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had.

To maintain a timely approach, we expect to begin our audit in June 2025 and conclude audit procedures and date our report in October 2025.

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. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are made available for public inspection.

We understand that your employees will prepare all cash, accounts receivable or other confirmations we request and will locate any documents selected by us for testing.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such 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

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Heinfeld, Meech & Co., P.C. does not host any of the City's information. Sharefile is used solely to transmit data and is not intended to store the City's information. The City is solely responsible for downloading any deliverables and other records from Sharefile that the City wishes to retain for its own records at the completion of the engagement. If the engagement occurs over multiple years, the City should download such information at least annually. The data and deliverable and other records will either be removed from Sharefile or otherwise become unavailable to the City after the completion of the audit. If the engagement is multi-year, the completion of the engagement occurs each year when the deliverables for that year are delivered to the City.

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, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner 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 advisory services, 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 resulting in additional costs for the additional services provided. If additional time is necessary, we will discuss it with you before we invoice the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$285; Manager - \$235; Senior - \$165; Staff - \$125.

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.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Honorable Mayor, Members of the City Council, and Management of the City. Circumstances may arise in which our reports may differ from its 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.

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 2024 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

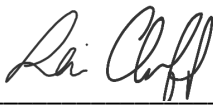
cc: Lai Cluff, Acting City Auditor

RESPONSE

This letter correctly sets forth the understanding of City of Scottsdale, Arizona,

Printed Name: Lai Cluff

Title: Acting City Auditor

Signature: 

Date: 06/02/2025



Report on the Firm's System of Quality Control

October 4, 2024

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, 2024. 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, 2024, 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

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
ADA5B9C0-77DD-4833-93E9-02803A512B94

TRANSACTION DETAILS

Reference Number
ADA5B9C0-77DD-4833-93E9-02803A512B94

Transaction Type
Signature Request

Sent At
06/02/2025 07:44 AM MST

Executed At
06/02/2025 06:28 PM MST

Identity Method
email

Distribution Method
email

Signed Checksum
b850f24dad497afa439d38cdb7788b1e2d72c379d4bd0b55649bf33cb059ddeb

Signer Sequencing
Disabled

Document Passcode
Disabled

DOCUMENT DETAILS

Document Name
Engagement Ltr FY25 Scottsdale City

Filename
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Pages
13 pages

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application/pdf

File Size
434 KB

Original Checksum
5884499d19a802d276b1cf1d5de904e36ab73754e56b7a92cb8514efd731886a

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Lai Cluff	Status signed	Viewed At 06/02/2025 05:58 PM MST
Email lcluff@scottsdaleaz.gov	Multi-factor Digital Fingerprint Checksum 9822a7a240f3b82de0902fcd7111dd7f0cd746f18e84bd27f5ede055343cc4d	Identity Authenticated At 06/02/2025 06:28 PM MST
Components 4	IP Address 192.206.21.8	Signed At 06/02/2025 06:28 PM MST
	Device Microsoft Edge via Windows	
	Drawn Signature 	
	Signature Reference ID 409E9153	
	Signature Biometric Count 3	

AUDITS

TIMESTAMP	AUDIT
06/02/2025 07:44 AM MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY25_Scottsdale_City.pdf' on Chrome via Windows from 73.24.245.17.
06/02/2025 07:44 AM MST	Lai Cluff (lcluff@scottsdaleaz.gov) was emailed a link to sign.
06/02/2025 05:58 PM MST	Lai Cluff (lcluff@scottsdaleaz.gov) viewed the document on Microsoft Edge via Windows from 192.206.21.8.
06/02/2025 06:28 PM MST	Lai Cluff (lcluff@scottsdaleaz.gov) authenticated via email on Microsoft Edge via Windows from 192.206.21.8.
06/02/2025 06:28 PM MST	Lai Cluff (lcluff@scottsdaleaz.gov) signed the document on Microsoft Edge via Windows from 192.206.21.8.



City Treasurer's Office

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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 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, 2025, 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. In addition, we believe:
 - The significant judgments made in making accounting estimates have considered all relevant information of which management is aware
 - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates
 - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action
 - That the disclosures related to accounting estimates, including those describing estimation uncertainty are complete and appropriate under GAAP
 - That, when necessary, appropriate specialized skills or expertise have been applied
 - That no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements
 - That for any accounting estimates not recognized or disclosed in the financial statements, management has decided to exclude them after considering the appropriate recognition and disclosure criteria in 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 all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the City 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 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.
- 11. 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 (SEFA).
 - 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 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.
 - 14. 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.
 - 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 City'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 identified and suspected fraud, or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 20. If applicable, 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 objectives of the audit 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 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.
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 appropriately identified, recorded, and disclosed all leases in accordance with GASB Statement (GASBS) No. 87.
27. We have appropriately identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASBS No. 94.
28. We have appropriately identified, recorded and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96.
29. We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101.
30. 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.
31. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements
32. 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.
33. 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.
34. 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.

35. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
36. 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.
37. The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
38. The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
39. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 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.
40. Components of net position (net investment in capital assets; restricted; and unrestricted) and classification of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
41. Investments are properly valued.
42. 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
43. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
44. Direct borrowings and direct placements of debt have been properly separated from other debt; and unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses have been properly disclosed.
45. 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.

46. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
47. 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.
48. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
49. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
50. If applicable, special and extraordinary items (unusual items or infrequent items after implementing GASBS No. 103), are appropriately classified and reported.
51. Deposits and investment securities are properly classified as to risk and are properly disclosed.
52. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
53. If applicable, the government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
54. Asset retirement obligations associated with tangible capital assets have been properly recognized in accordance with GASBS No. 83.
55. Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.
56. 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.
57. 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.
58. 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.

59. 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.
60. With respect to the supplementary information on which in-relation-to opinions are issued, presented, such as the combining and individual fund financial statements and schedules, the Schedule of Changes in Long-Term Debt and the SEFA.
- 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.
61. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data.
- a. We acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.
 - b. If applicable, with regard to the other information that will be included in the annual report that has not been obtained by you prior to the auditor's report date, we intend to prepare and issue the other information, as well as communicate the expected timing of issuance, and provide you with the final version of the document(s) when available and prior to the issuance of the annual report.
62. 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 SEFA 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, designing, implementing, and maintaining, and have established, designed, implemented, 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, or confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

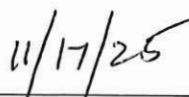
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's 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 Council 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, CPA
City Treasurer/CFO



Date



Anna Marie Henthorn, CPA, MBA
Assistant City Treasurer/Assistant CFO



Date

Attachment 1b - 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, 2025. 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, 2025.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
November 17, 2025

Attachment 2 - Single Audit
Report (federal compliance)

- In progress/to be provided at later date

Audit Committee Regular Meeting: December 12, 2025

Item 5(2): Single Audit Report

This agenda item will be provided as soon as it becomes available.

**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, 2025, 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 November 17, 2025. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

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 were not 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
November 17, 2025

**Attachment 3 -
DC Ranch Community Facilities District
(CFD) Annual Financial Report**

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2025

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2025

DC Ranch Community Facilities District

For the Fiscal Year ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025 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 October 13, 2025, 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 13, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

As management of the DC Ranch Community Facilities District (District), this section offers 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, 2025.

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 2024/25, 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 \$0.41 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$137,440. Of this amount, \$29,068 was in the General Fund and \$108,372 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by \$298,357.
- Total long-term debt decreased by \$1,165,000 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, 2025

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, 2025

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 \$2.3 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, 2025 and 2024

	Governmental Activities	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets	\$ 88,789	\$ 74,465
Noncurrent Assets	1,301,234	1,296,179
Total Assets	1,390,023	1,370,644
Deferred Outflows of Resources	79,985	119,977
Total Assets and Deferred Outflows of Resources	1,470,008	1,490,621
LIABILITIES		
Current Liabilities	1,226,636	1,509,436
Noncurrent Liabilities	2,528,721	3,733,081
Total Liabilities	3,755,357	5,242,517
NET POSITION		
Restricted	134,319	(149,218)
Unrestricted	(2,419,668)	(3,602,678)
Total Net Position	\$ (2,285,349)	\$ (3,751,896)

During the fiscal year, the District's total net position increased by \$1,466,547.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
REVENUES		
Taxes	\$ 1,710,009	\$ 1,333,508
Interest	742	502
Total Revenues	1,710,751	1,334,010
EXPENSES		
General Government	119,851	380,781
Debt Service	124,353	162,715
Total Expenses	244,204	543,496
Change in Net Position	1,466,547	790,514
Net Position, Beginning of Year	(3,751,896)	(4,542,410)
Net Position, End of Year	\$ (2,285,349)	\$ (3,751,896)

Revenues increased in fiscal 2024/25 due to an increase in tax revenue.

The District's overall net position increased for Fiscal Year 2024/25 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 2025, the District's governmental funds reported revenues more than expenditures by \$298,357 and an ending fund balance of \$137,440. Of the total ending fund balance, \$29,068 is in the General Fund and \$108,372 is in the Debt Service Fund.

Revenues totaled \$1,706,929 for the fiscal year ended June 30, 2025, of which \$1,706,187 was property tax collected and \$742 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 for operation. The District does not own or operate infrastructure. Since formation, District city bonds have been issued, and the proceeds used to acquire or construct parks, paths, trails, roads, athletic fields and related athletic field infrastructure.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025 and 2024

	Governmental Activities	
	2025	2024
General Obligation Bonds	\$ 2,450,000	\$ 3,615,000

The District's total long-term debt decreased by \$1,165,000 during the current fiscal year due to payment of principal on the refunding bonds.

Next Year's Budget and Rates

The fiscal year 2025/26 District budget includes a \$0.32 tax rate per \$100 of assessed value. This is a \$0.08 decrease from the rate used for the fiscal year 2024/25 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, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash	\$ 24,462	\$ -	\$ 24,462	\$ -	\$ 24,462
Taxes Receivable	4,606	59,721	64,327	-	64,327
Total Current Assets	29,068	59,721	88,789	-	88,789
NonCurrent Assets					
Restricted Cash	-	1,301,234	1,301,234	-	1,301,234
Total Assets	<u>\$ 29,068</u>	<u>\$ 1,360,955</u>	<u>\$ 1,390,023</u>	<u>\$ -</u>	<u>\$ 1,390,023</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				79,985	79,985
Total Assets and Deferred Outflows of Resources				<u>\$ 79,985</u>	<u>\$ 1,470,008</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 1,165,000	\$ 1,165,000	\$ -	\$ 1,165,000
Bond Interest Payable	-	61,636	61,636	-	61,636
Total Current Liabilities	-	1,226,636	1,226,636	-	1,226,636
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,205,000	1,205,000
Due After One Year	-	-	-	1,323,721	1,323,721
Total Noncurrent Liabilities	-	-	-	2,528,721	2,528,721
Total Liabilities	-	1,226,636	1,226,636	2,528,721	3,755,357
Deferred Inflows of Resources					
Unavailable Revenues	-	25,947	25,947	(25,947)	-
Total Liabilities and Deferred Inflows of Resources	-	1,252,583	1,252,583	2,502,774	3,755,357
Fund Balances/Net Position					
Fund Balances					
Restricted	-	-	-	-	-
Unassigned	29,068	108,372	137,440	(137,440)	-
Total Fund Balances	29,068	108,372	137,440	(137,440)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,068</u>	<u>\$ 1,360,955</u>	<u>\$ 1,390,023</u>		
Net Position					
Restricted for Debt Service				134,319	134,319
Unrestricted				(2,419,668)	(2,419,668)
Total Net Position				<u>\$ (2,285,349)</u>	<u>\$ (2,285,349)</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, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 137,751	\$ 1,568,436	\$ 1,706,187	\$ 3,822	\$ 1,710,009
Interest	742	-	742	-	742
Total Revenues	138,493	1,568,436	1,706,929	3,822	1,710,751
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer's Office	\$ 119,851	\$ -	\$ 119,851	\$ -	\$ 119,851
Debt Service					
Principal Retirement	-	1,165,000	1,165,000	(1,165,000)	-
Interest and Fiscal Charges	-	123,721	123,721	632	124,353
Total Expenditures/Expenses	119,851	1,288,721	1,408,572	(1,164,368)	244,204
Change in Fund Balances/Net Position	18,642	279,715	298,357	1,168,190	1,466,547
Fund Balances/Net Position, Beginning of Year	10,426	(171,343)	(160,917)	(3,590,979)	(3,751,896)
Fund Balances/Net Position, End of Year	\$ 29,068	\$ 108,372	\$ 137,440	\$ (2,422,789)	\$ (2,285,349)

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, 2025

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, 2025

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, 2025, 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, 2025

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, 2025

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, 2025

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.	\$ 25,947
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(2,528,721)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>79,985</u>
Net adjustment to reduce total fund balance to arrive at net position.	(2,422,789)
Total Fund Balance	<u>137,440</u>
Total Net Position	<u><u>\$ (2,285,349)</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.	\$ 3,822
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.	1,165,000
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.	1,168,190
Net change in Fund Balance	<u>298,357</u>
Change in Net Position	<u><u>\$ 1,466,547</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2025, the carrying amount of the District's deposits and bank balance were \$1,325,696.

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, 2025, \$1,301,234 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, 2025, as follows:

	Debt Service Fund
Restricted Cash	<u><u>\$ 1,301,234</u></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, 2025

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, 2025, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	\$ 4,606	\$ 59,721

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	\$ 25,947

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, 2025, 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	\$ 2,450,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Private Placement General Obligation Bonds	\$ 3,615,000	\$ -	\$ (1,165,000)	\$ 2,450,000	\$ 1,205,000
Plus Issuance Premium	118,081	-	(39,360)	78,721	-
Total	<u>\$ 3,733,081</u>	<u>\$ -</u>	<u>\$ (1,204,360)</u>	<u>\$ 2,528,721</u>	<u>\$ 1,205,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2026	\$ 1,205,000	\$ 83,545
2027	1,245,000	42,454
Total	<u>\$ 2,450,000</u>	<u>\$ 125,999</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, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 128,746	\$ 137,751	\$ 9,005
Interest Income	-	742	742
Total Revenues	128,746	138,493	9,747
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	125,600	119,851	5,749
Total Expenditures	125,600	119,851	5,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,146	18,642	14,754
Net Change in Fund Balance	\$ 3,146	\$ 18,642	\$ 15,496

Supplementary Information

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

For the Fiscal Year Ended June 30, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 1,291,679	\$ 1,568,436	\$ 276,757
Total Revenues	1,291,679	1,568,436	276,757
EXPENDITURES			
Debt Service			
Principal Retirement	1,165,000	1,165,000	-
Interest and Fiscal Charges	124,272	123,721	551
Total Expenditures	1,289,272	1,288,721	551
Excess of Revenues Over Expenditures	2,407	279,715	277,308
Net Change in Fund Balance	\$ 2,407	\$ 279,715	\$ 277,308

**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, 2025, 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 13, 2025.

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 13, 2025

**Attachment 3a -
DC Ranch Community Facilities District
(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, 2025, 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 13, 2025.

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 13, 2025

Attachment 4 -
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, 2025

McDowell Mountain Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2025

McDowell Mountain Ranch Community Facilities District

For the Fiscal Year ended June 30, 2025

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Independent Auditor's Report

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, 2025, 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, 2025, 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, 2025 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 October 13, 2025, 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 13, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

As management of the McDowell Mountain Ranch Community Facilities District (District), this section offers 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, 2025.

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 2024/25, the District:

- Earned interest and contributions from the City of Scottsdale's General fund were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of \$57,197.
- Governmental fund revenues and City of Scottsdale General fund contributions were more than expenditures by \$189,315.

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, 2025

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 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.

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 \$57,199 (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, 2025

Net Position

June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
ASSETS		
Current Assets	\$ 57,199	\$ 70,804
Total Assets	57,199	70,804
LIABILITIES		
Current Liabilities	-	201,862
Total Liabilities	-	201,862
NET POSITION		
Unrestricted	57,199	(131,058)
Total Net Position	\$ 57,199	\$ (131,058)

During the fiscal year, the District's total net position increased by \$188,257.

Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
REVENUES		
Taxes	\$ (5,772)	\$ -
Interest	326	826
Contributions from City	206,570	-
Total Revenues	201,124	826
EXPENSES		
General Government	12,867	11,771
Other General Government	-	202,202
Total Expenses	12,867	213,973
Change in Net Position	188,257	(213,147)
Net Position, Beginning of Year	(131,058)	82,089
Net Position, End of Year	\$ 57,199	\$ (131,058)

Revenues increased in fiscal year 2024/25 due to contributions from the City of Scottsdale. On May 20, 2025 the City Council authorized contributions from the City of Scottsdale of \$206,570 to cover property tax refunds required from the Qasimyar v. Maricopa County lawsuit.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts.

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 2024/25, the District's governmental funds reported revenues more than expenditures by \$189,315 and an ending fund balance of \$57,197. The entire fund balance is unassigned.

Revenues totaled \$202,182 for the fiscal year ended June 30, 2025.

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.

Next Year's Budget and Rates

The District will not levy taxes since all debt has been satisfied. The fiscal year 2025/26 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, 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, 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, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Assets			
Current Assets			
Cash	\$ 57,048	\$ -	\$ 57,048
Taxes Receivable	151	-	151
Total Assets	<u>\$ 57,199</u>	<u>\$ -</u>	<u>\$ 57,199</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION			
Liabilities			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources			
Unavailable Revenues	<u>2</u>	<u>(2)</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>2</u>	<u>(2)</u>	<u>-</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	<u>57,197</u>	<u>(57,197)</u>	<u>-</u>
Total Fund Balances	<u>57,197</u>	<u>(57,197)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 57,199</u>		
Net Position			
Unrestricted		<u>57,199</u>	<u>57,199</u>
Total Net Position		<u>\$ 57,199</u>	<u>\$ 57,199</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
For the Fiscal Year Ended June 30, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ (4,714)	\$ (1,058)	\$ (5,772)
Interest	326	-	326
Contributions from City	206,570	-	-
Total Revenues	202,182	(1,058)	201,124
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer's Office	\$ 12,867	\$ -	\$ 12,867
Total Expenditures/Expenses	12,867	-	12,867
Change in Fund Balances/Net Position	189,315	(1,058)	188,257
Fund Balances/Net Position, Beginning of Year	(132,118)	1,060	(131,058)
Fund Balances/Net Position, End of Year	\$ 57,197	\$ 2	\$ 57,199

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, 2025

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, 2025

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 at June 30, 2025, 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, 2025

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, 2025

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, 2025

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>\$ 2</u>
Net adjustment to reduce total fund balance to arrive at net position.	<u>2</u>
Total Fund Balance	<u>57,197</u>
Total Net Position	<u><u>\$ 57,199</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.	<u>\$ (1,058)</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	<u>(1,058)</u>
Net change in Fund Balance	<u>189,315</u>
Change in Net Position	<u><u>\$ 188,257</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025, the carrying amount of the District's cash balance was \$57,048.

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, 2025, 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, 2025

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, 2025, were as follows:

	<u>General Fund</u>
Taxes Receivable	<u>\$ 151</u>

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	<u>General Fund</u>
Unavailable Property Taxes Receivable	<u>\$ 2</u>

3. Contributions

On May 20, 2025 the City Council authorized contributions from the City of Scottsdale of \$206,570 to cover property tax refunds required from the Qasimyar v. Maricopa County lawsuit.

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

Changes in Long-term Liabilities

Since all debt service obligations were satisfied on June 30, 2022, 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 \$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, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ (4,714)	\$ (4,714)
Interest Income	-	326	326
Contributions from City	-	206,570	206,570
Total Revenues	-	202,182	202,182
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	69,766	12,867	56,899
Total Expenditures	69,766	12,867	56,899
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,766)	189,315	259,081
Net Change in Fund Balance	<u>\$ (69,766)</u>	<u>\$ 189,315</u>	<u>\$ 259,081</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 the 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, 2025, 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 13, 2025.

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 13, 2025

**Attachment 4a -
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 the 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, 2025, 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 13, 2025.

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 13, 2025

Attachment 5 -
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, 2025

City of Scottsdale Municipal Property Corporation
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2025

City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2025

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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*

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City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2025

Board Members

David Smith	President
John Arnold	Vice President
Dennis Robbins	Secretary
Ken Harder	Treasurer
Fred Socoloff	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, 2025, 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 funds of the City of Scottsdale Municipal Property Corporation, as of June 30, 2025, 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, 2025 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 13, 2025, 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 13, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

This section offers readers of the City of Scottsdale Municipal Property Corporation's financial statements a narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2025. The Corporation is a component unit of the City of Scottsdale, Arizona (city).

FINANCIAL HIGHLIGHTS

For the fiscal year ending 2024/25, the Corporation's:

- Total assets and deferred outflows of resources were greater than liabilities, resulting in an ending fund balance of \$44,795,778 (net position).
- Net change in fund balance was \$44,795,778.
- Debt Service Fund and Capital Projects Fund reported an ending fund balance of \$12,678 and \$44,783,100 respectively.
- Issued \$112,375,000 in new bonds for the construction of water and sewer improvements.
- 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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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.

The Corporation maintains two governmental funds, a Debt Service Fund and a Capital Projects 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 greater than total liabilities, resulting in an ending fund balance for the close of the most recent fiscal year of \$44,795,778 (net position).

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

Net Position

June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets	\$ 536,265,381	\$ 407,112,054
Deferred Outflows of Resources	10,352,634	11,946,742
Total Assets and Deferred Outflows of Resources	<u>\$ 546,618,015</u>	<u>\$ 419,058,796</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Long-Term Liabilities Outstanding	\$ 457,289,633	\$ 376,592,832
Other Liabilities	44,532,604	42,465,964
Total Liabilities	<u>501,822,237</u>	<u>419,058,796</u>
NET POSITION		
Restricted for Debt Service	12,678	-
Restricted for Capital Projects	44,783,100	-
Total Net Position	<u>\$ 44,795,778</u>	<u>\$ -</u>

Over the fiscal year, the Corporation's total net position increased by \$44,795,778. Total revenue increased by \$118,878,723 primarily as a result of new debt issued. Total expenses increased by \$74,082,945 primarily due to capital project expenses.

Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
REVENUES		
Sales Contract Income	\$ 130,417,203	\$ 11,767,758
Investment Income	244,158	15,021
Other Revenue	141	-
Total Revenues	<u>130,661,502</u>	<u>11,782,779</u>
EXPENSES		
General Government	75,431,171	-
Interest and Fiscal Charges	9,857,643	11,782,779
Bond Sale Costs	576,910	-
Total Expenses	<u>85,865,724</u>	<u>11,782,779</u>
Increase\Decrease in Net Position	44,795,778	(176,199)
Net Position, Beginning of Year	-	176,199
Net Position, End of Year	<u>\$ 44,795,778</u>	<u>\$ -</u>

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025, the Corporation's governmental funds reported combined ending fund balances of \$44,795,778. The fund balance for the Debt Service Fund was \$12,678. The fund balance for the Capital Projects Fund was \$44,783,100 which represents unspent funds due to a debt issuance in the current fiscal year.

Debt Administration

The total net Excise Revenue Debt at June 30, 2025 was \$457,289,633. The Corporation's total long-term debt increased by \$80,696,801 during the current fiscal year due to the issuance of new bonds net the 2014 MPC bond redemption, payment of the principal on outstanding debt and amortization of deferred amounts.

Outstanding Debt

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Excise Revenue Bonds	<u>\$ 457,289,633</u>	<u>\$ 376,592,832</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, 2025

	Debt Service Fund	Capital Projects 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	\$ 35,300,024	\$ 53,802,921	\$ 89,102,945	\$ -	\$ 89,102,945
Interest Receivable	11,166	214,271	225,437		225,437
Amount Due from City of Scottsdale	446,936,999	-	446,936,999	-	446,936,999
Total Assets	<u>\$ 482,248,189</u>	<u>54,017,192</u>	<u>\$ 536,265,381</u>	<u>\$ -</u>	<u>\$ 536,265,381</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				10,352,634	10,352,634
Total Assets and Deferred Outflows of Resources				<u>\$ 10,352,634</u>	<u>\$ 546,618,015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Accounts Payable	\$ -	\$ 9,234,092	\$ 9,234,092	\$ -	\$ 9,234,092
Bond Interest Payable	5,683,512	-	5,683,512	-	5,683,512
Matured Bonds Payable	29,615,000	-	29,615,000	-	29,615,000
Long-term Liabilities					
Due Within One Year	-	-	-	35,255,000	35,255,000
Due After One Year	-	-	-	422,034,633	422,034,633
Total Liabilities	<u>35,298,512</u>	<u>9,234,092</u>	<u>44,532,604</u>	<u>457,289,633</u>	<u>501,822,237</u>
Deferred Inflows of Resources					
Unavailable Revenue	446,936,999	-	446,936,999	(446,936,999)	-
Fund Balances					
Restricted	<u>12,678</u>	<u>44,783,100</u>	<u>44,795,778</u>	<u>(44,795,778)</u>	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Total Fund Balances	<u>12,678</u>	<u>44,783,100</u>	<u>44,795,778</u>	<u>(44,795,778)</u>	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 482,248,189</u>	<u>\$ 54,017,192</u>	<u>\$ 536,265,381</u>		
Net Position				<u>\$ 44,795,778</u>	<u>\$ 44,795,778</u>
Restricted for Debt Service				12,678	12,678
Restricted for Capital Projects				<u>44,783,100</u>	<u>44,783,100</u>
Total Net Position				<u>\$ 44,795,778</u>	<u>\$ 44,795,778</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, 2025

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (see Note 2.B.)	Statement of Activities
REVENUES					
Sales Contract Income from City of Scottsdale	\$ 48,126,294	\$ -	\$ 48,126,294	\$ 82,290,909	\$ 130,417,203
Investment Income	29,887	214,271	244,158	-	244,158
Other Revenues	141	-	141	-	141
Total Revenues	48,156,322	214,271	48,370,593	82,290,909	130,661,502
EXPENDITURES/EXPENSES					
Current					
General Government	-	-	-	75,431,171	75,431,171
Capital Improvements	-	75,431,171	75,431,171	(75,431,171)	-
Debt Service					
Principal	36,740,000	-	36,740,000	(36,740,000)	-
Interest and Fiscal Charges	11,405,156	-	11,405,156	(1,547,513)	9,857,643
Bond Sale Costs	576,910	-	576,910	-	576,910
Total Expenditures	48,722,066	75,431,171	124,153,237	(38,287,513)	85,865,724
Excess (Deficiency) of Revenues over Expenditures	(565,744)	(75,216,900)	(75,782,644)	120,578,422	44,795,778
Other Financing Sources (Uses)					
Proceeds of Bonds	-	112,375,000	112,375,000	(112,375,000)	-
Bond Premium	578,422	7,625,000	8,203,422	(8,203,422)	-
Total Other Financing Sources (Uses)	578,422	120,000,000	120,578,422	(120,578,422)	-
Net change in Fund Balances	12,678	44,783,100	44,795,778	-	44,795,778
Fund Balance/Net Position, Beginning of Year	-	-	-	-	-
Fund Balances/Net Position, End of Year	\$ 12,678	\$ 44,783,100	\$ 44,795,778	\$ -	\$ 44,795,778

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, 2025

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, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales contract 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.
- The *Capital Projects Fund* accounts for resources accumulated and used for the acquisition or construction of major capital facilities.

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, 2025, plus accrued interest, are restricted as to usage.

The Corporation's deposits at June 30, 2025 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, 2025

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, 2025

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, 2025

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	\$	364,646,090	
New Debt Issued		112,375,000	
Debt Service Payments Made		(36,740,000)	
Amortization Amount on Refunding		1,594,108	
Deferred Premium on New Bonds		8,203,422	
Amortization of Premium on Existing Bonds		(3,141,621)	\$ 446,936,999

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	(433,690,000)	
Deferred Issuance Premium	(23,599,633)	(457,289,633)

Deferred Amount on Refunding are long-term in nature and are not reported as deferred outflows of resources in the governmental funds.

10,352,634	10,352,634

Net adjustment to reduce total fund balance in the governmental funds to arrive at net position.

-

Total Fund Balances

44,795,778

Total Net Position

\$ 44,795,778

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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.

New Debt Issued	\$	112,375,000	
Debt Service Payments Made		(36,740,000)	
Amortization Amount on Refunding		1,594,108	
Deferred Premium on New Bonds		8,203,422	
Amortization of Premium on Existing Bonds		(3,141,621)	\$ 82,290,909

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	(1,594,108)	
Amortization of Premium on Existing Bonds	3,141,621	1,547,513

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	36,740,000	36,740,000

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of activities, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Proceeds	(112,375,000)	
Premium on Bonds	(8,203,422)	(120,578,422)

Net Adjustment To Reduce Net Change In Fund Balances To Arrive At Net Change In Net Position

Net Change In Fund Balances	44,795,778
Net Change In Net Position	\$ 44,795,778

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025, the Corporation's deposits consisted of the following:

	Fair Value
Short-Term Investments	<u>\$ 89,102,945</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, 2025, \$88,602,945 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 2025 MPC Excise Tax Revenue Bonds.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The 2017B MPC Excise Tax Revenue Bonds are paid out of the city's Aviation Fund.

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.

Refunded in Prior Years	
2017 MPC Excise Tax Revenue Refunding Bonds	38,350,000
	<u>\$ 38,350,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Bonds payable at June 30, 2025 consisted of the outstanding bonds presented below:

Classified in Debt Service Fund - General Government Purposes Municipal Property Corporation Bonds	Bonds Outstanding
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.	\$ 31,390,000
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.	6,175,000
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.	7,955,000
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.	7,355,000
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.	25,150,000
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.	56,200,000
Total Municipal Property Corporation Bonds Outstanding-General Government	<u>\$ 134,225,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Classified in Debt Service Fund - Water and Sewer Purposes Municipal Property Corporation Bonds

	Bonds Outstanding
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.	\$ 28,080,000
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.	9,355,000
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.	5,200,000
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.	34,795,000
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.	27,415,000
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.	57,765,000
2025 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 11, 2025) due in annual installments of \$1,600,000 to \$10,000,000 through July 1, 2045; interest at 4 percent to 5 percent. Original issue amount \$112,375,000.	112,375,000
Total Municipal Property Corporation Bonds Outstanding-Water and Sewer	<u>\$ 282,905,000</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.	16,560,000
Total Municipal Property Corporation Bonds Outstanding-Aviation	<u>\$ 16,560,000</u>
Total bonds outstanding	<u><u>\$ 433,690,000</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, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The sales contract agreements mentioned above are 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 sales contract 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 sales contract payments from the city. Total principal and interest remaining on the debt is \$545,833,134.

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, 2025

NOTE 5 – CHANGES IN LONG TERM DEBT

A. Summary of Changes

The Corporation issued new debt of \$112,375,000 with a premium of \$8,203,422, and an all-in true interest cost of 3.91%, for the purpose of constructing assets.

The Corporation redeemed in advance of maturity \$7,125,000 remaining of the 2014 Refunding bonds.

The Corporation made principal payments of \$36,740,000 amortized deferred issuance premiums of \$3,141,621 and deferred amount on refundings of \$1,594,108 during the current fiscal year.

The following is a summary of changes in long-term debt:

	Municipal	Deferred	Long Term
Beginning Balances	\$ 358,055,000	\$ 18,537,832	\$ 376,592,832
Increases:			
New Bond Issue	112,375,000	8,203,422	120,578,422
Decreases:			
Existing Bonds	(36,740,000)	(3,141,621)	(39,881,621)
Ending Balances	<u>\$ 433,690,000</u>	<u>\$ 23,599,633</u>	<u>\$ 457,289,633</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 5 – CHANGES IN LONG TERM DEBT (CONTINUED)

The following is a summary of annual debt service requirements to maturity as of June 30, 2025:

Fiscal Year	Principal	Interest	Total
2026	35,255,000	15,902,458	51,157,458
2027	36,680,000	14,180,467	50,860,467
2028	38,495,000	12,953,169	51,448,169
2029	40,635,000	11,716,894	52,351,894
2030	36,800,000	10,167,119	46,967,119
2031-2035	158,235,000	32,386,415	190,621,415
2036-2040	64,440,000	11,998,318	76,438,318
2041-2045	23,150,000	2,838,294	25,988,294
Total	<u>\$ 433,690,000</u>	<u>\$ 112,143,134</u>	<u>\$ 545,833,134</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.

**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 each 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, 2025, 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 13, 2025.

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 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 13, 2025

**Attachment 5a -
Municipal Property Corporation (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 each 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, 2025, 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 13, 2025.

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 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 13, 2025

Attachment 6 -
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, 2025

Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2025

Via Linda Road Community Facilities District

For the Fiscal Year ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025 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 13, 2025, 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 13, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

As management of the Via Linda Road Community Facilities District (District), this section offers 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, 2025.

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 2024/25, the District's:

- Earned interest and contributions from the City of Scottsdale's General fund were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of \$51,835.
- Governmental fund revenues and City of Scottsdale General fund contributions were more than expenditures by \$46,375.

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, 2025

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, 2025

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 \$51,835 (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, 2025 and 2024

	Governmental Activities	
	2025	2024
ASSETS		
Current Assets	\$ 51,835	\$ 65,346
Total Assets	51,835	65,346
LIABILITIES		
Current Liabilities	-	59,886
Total Liabilities	-	59,886
NET POSITION		
Unrestricted	51,835	5,460
Total Net Position	\$ 51,835	\$ 5,460

During the fiscal year, the District's total net position increased by \$46,375.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
REVENUES		
Taxes	\$ (2,529)	\$ -
Interest	429	807
Contributions from City	61,331	-
Total Revenues	59,231	807
EXPENSES		
General Government	12,856	76,786
Total Expenses	12,856	76,786
Change in Net Position	46,375	(75,979)
Net Position, Beginning of Year	5,460	81,439
Net Position, End of Year	\$ 51,835	\$ 5,460

Revenues increased in fiscal year 2024/25 due to contributions from the City of Scottsdale. On May 20, 2025 the City Council authorized contributions from the City of Scottsdale of \$61,331 to cover property tax refunds required from the Qasimyar v. Maricopa County lawsuit.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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 2024/25 the District's governmental funds reported revenues and other financing sources more than expenditures by \$46,375 and an ending fund balance of \$51,835. The entire fund balance is unassigned.

Revenues totaled \$59,231 for the fiscal year ended June 30, 2025.

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. 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, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Current Assets			
Cash	\$ 51,835	\$ -	\$ 51,835
Total Assets	<u>\$ 51,835</u>	<u>\$ -</u>	<u>\$ 51,835</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION			
Liabilities			
Total Liabilities and Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	<u>51,835</u>	<u>(51,835)</u>	<u>-</u>
Total Fund Balances	<u>51,835</u>	<u>(51,835)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 51,835</u>		
Net Position			
Unrestricted		<u>51,835</u>	<u>51,835</u>
Total Net Position		<u>\$ 51,835</u>	<u>\$ 51,835</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, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Taxes	\$ (2,529)	\$ -	\$ (2,529)
Interest	429	-	429
Contributions from City	61,331	-	61,331
Total Revenues	59,231	-	59,231
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer's Office	\$ 12,856	\$ -	\$ 12,856
Total Expenditures/Expenses	12,856	-	12,856
Change in Fund Balances/Net Position	46,375	-	46,375
Fund Balances/Net Position, Beginning of Year	5,460	-	5,460
Fund Balances/Net Position, End of Year	<u>\$ 51,835</u>	<u>\$ -</u>	<u>\$ 51,835</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, 2025

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, 2025

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 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.

For the Fiscal Year Ended June 30, 2025

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, 2025

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, 2025

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 the same.

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, 2025, the carrying amount of the District’s cash balance was \$51,835.

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, 2025, the District had no deposits that were exposed to custodial credit risk.

2. Contributions

On May 20, 2025 the City Council authorized contributions from the City of Scottsdale of \$61,331 to cover property tax refunds required from the Qasimyar v. Maricopa County lawsuit.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

For the Fiscal Year Ended June 30, 2025

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, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ (2,529)	\$ (2,529)
Interest Income	-	429	429
Contributions from City	-	61,331	61,331
Total Revenues	-	59,231	59,231
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	65,694	12,856	52,838
Total Expenditures	65,694	12,856	52,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,694)	46,375	112,069
Net Change in Fund Balance	\$ (65,694)	\$ 46,375	\$ 112,069

**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 the 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, 2025, 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 13, 2025.

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 13, 2025

**Attachment 6a -
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 the 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, 2025, 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 13, 2025.

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 13, 2025

Attachment 7 - 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, 2025

Waterfront Commercial Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2025

Waterfront Commercial Community Facilities District

For the Fiscal Year ended June 30, 2025

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Independent Auditor's Report

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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, 2025, 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, 2025, 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, 2025 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 13, 2025, 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 13, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025.

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 2024/25, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- The tax rate was \$4.62 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$35,388. Of this amount, \$6,252 was in the General Fund and \$29,136 was in the Debt Service Fund.
- Governmental fund expenditures were more than revenues by \$40; the tax rate increased from \$4.42 in fiscal year 2023/24 to \$4.62.
- Total long-term debt decreased by \$190,000 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, 2025

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, 2025

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 \$1.4 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, 2025 and 2024

	Governmental Activities	
	2025	2024
ASSETS		
Current Assets	\$ 6,451	\$ 7,093
Noncurrent Assets	239,433	236,138
Total Assets	245,884	243,231
LIABILITIES		
Current Liabilities	210,476	207,761
Noncurrent Liabilities	1,468,000	1,658,000
Total Liabilities	1,678,476	1,865,761
NET POSITION		
Restricted	29,156	28,684
Unrestricted	(1,461,748)	(1,651,214)
Total Net Position	\$ (1,432,592)	\$ (1,622,530)

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

During the fiscal year, the District's total net position increased by \$189,938.

Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
REVENUES		
Taxes	\$ 246,623	\$ 232,165
Total Revenues	246,623	232,165
EXPENSES		
General Government	15,332	11,786
Debt Service	41,353	45,922
Total Expenses	56,685	57,708
Change in Net Position	189,938	174,457
Net Position, Beginning of Year	(1,622,530)	(1,796,987)
Net Position, End of Year	\$ (1,432,592)	\$ (1,622,530)

Revenues increased in fiscal year 2024/25 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 2024/25 the District's governmental funds reported expenditures over revenues by \$40 and an ending fund balance of \$35,388. Of the total ending fund balance, \$6,252 is in the General Fund and \$29,136 is in the Debt Service Fund.

Revenues totaled \$246,645 for the fiscal year ended June 30, 2025, of which all was property taxes.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025 and 2024

	Governmental Activities	
	2025	2024
General Obligation Bonds	<u>\$ 1,468,000</u>	<u>\$ 1,658,000</u>

The District's total long-term debt decreased by \$190,000 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 2025/26 District budget includes a \$4.55 tax rate per \$100 of assessed value. This is a \$.07 decrease from the rate used in the fiscal year 2024/25 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, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash	\$ 6,241	\$ -	\$ 6,241	\$ -	\$ 6,241
Taxes Receivable	11	199	210	-	210
Total Current Assets	6,252	199	6,451	-	6,451
Noncurrent Assets					
Restricted Cash	-	239,433	239,433	-	239,433
Total Assets	<u>\$ 6,252</u>	<u>\$ 239,632</u>	<u>\$ 245,884</u>	<u>\$ -</u>	<u>\$ 245,884</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 190,000	\$ 190,000	\$ -	\$ 190,000
Bond Interest Payable	-	20,476	20,476	-	20,476
Total Current Liabilities	-	210,476	210,476	-	210,476
Noncurrent Liabilities					
Due Within One Year	-	-	-	195,000	195,000
Due After One Year	-	-	-	1,273,000	1,273,000
Total Noncurrent Liabilities	-	-	-	1,468,000	1,468,000
Total Liabilities	-	210,476	210,476	1,468,000	1,678,476
Deferred Inflows of Resources					
Unavailable Revenues	-	20	20	(20)	-
Total Liabilities and Deferred Inflows of Resources	-	210,496	210,496	1,467,980	1,678,476
Fund Balances/Net Position					
Fund Balances					
Restricted	-	29,136	29,136	(29,136)	-
Unassigned	6,252	-	6,252	(6,252)	-
Total Fund Balances	6,252	29,136	35,388	(35,388)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,252</u>	<u>\$ 239,632</u>	<u>\$ 245,884</u>		
Net Position					
Restricted for Debt Service				29,156	29,156
Unrestricted				(1,461,748)	(1,461,748)
Total Net Position				<u>\$ (1,432,592)</u>	<u>\$ (1,432,592)</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, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 14,798	\$ 231,847	\$ 246,645	\$ (22)	\$ 246,623
Total Revenues	14,798	231,847	246,645	(22)	246,623
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer's Office	\$ 15,332	\$ -	\$ 15,332	\$ -	\$ 15,332
Debt Service					
Principal Retirement	-	190,000	190,000	(190,000)	-
Interest and Fiscal Charges	-	41,353	41,353	-	41,353
Total Expenditures/Expenses	15,332	231,353	246,685	(190,000)	56,685
Change in Fund Balances/Net Position	(534)	494	(40)	189,978	189,938
Fund Balances/Net Position, Beginning of Year	6,786	28,642	35,428	(1,657,958)	(1,622,530)
Fund Balances/Net Position, End of Year	\$ 6,252	\$ 29,136	\$ 35,388	\$ (1,467,980)	\$ (1,432,592)

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, 2025

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, 2025

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, 2025, 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, 2025

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, 2025

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, 2025

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.	\$ 20
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.	(1,468,000)
Net adjustment to total fund balance to arrive at net position.	(1,467,980)
Total Fund Balance	35,388
Total Net Position	\$ (1,432,592)

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.	\$ (22)
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.	190,000
Net adjustments to reconcile net changes in fund balances to change in net position.	189,978
Net change in Fund Balance	(40)
Change in Net Position	\$ 189,938

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2025, the carrying amount of the District’s deposits and bank balance were \$245,674.

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, 2025, the District’s deposits were fully insured.

2. Restricted Assets

Restricted cash at June 30, 2025, as follows:

	Debt Service Fund
Restricted Cash	<u><u>\$ 239,433</u></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, 2025, were as follows:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

	General Fund	Debt Service Fund
Taxes Receivable	\$ 11	\$ 199

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	\$ 20

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, 2025, 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	\$ 1,468,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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. As of June 30, 2025, the District has issued \$3,805,000 of the \$9,000,000 bonds that were authorized.

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	\$ 1,658,000	\$ -	\$ (190,000)	\$ 1,468,000	\$ 195,000
Total	<u>\$ 1,658,000</u>	<u>\$ -</u>	<u>\$ (190,000)</u>	<u>\$ 1,468,000</u>	<u>\$ 195,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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>
2026	\$ 195,000	\$ 36,260
2027	200,000	31,443
2028	204,000	26,503
2029	209,000	21,464
2030	215,000	16,302
2031-2032	445,000	16,549
Total	<u>\$ 1,468,000</u>	<u>\$ 148,521</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.

C. Excess of Expenditures over Appropriation

The District General fund exceeded the expenditure appropriation by \$2,132 for the payment of a legally required arbitrage report. The additional expenditures incurred were funded by the available fund balances within the respective fund.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 16,041	\$ 14,798	\$ (1,243)
Total Revenues	16,041	14,798	(1,243)
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	13,200	15,332	(2,132)
Total Expenditures	13,200	15,332	(2,132)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,841	(534)	(3,375)
Net Change in Fund Balance	\$ 2,841	\$ (534)	\$ (3,375)

Supplementary Information

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

For the Fiscal Year Ended June 30, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 230,352	\$ 231,847	\$ 1,495
Total Revenues	230,352	231,847	1,495
EXPENDITURES			
Debt Service			
Principal Retirement	190,000	190,000	-
Interest and Fiscal Charges	42,953	41,353	1,600
Total Expenditures	232,953	231,353	1,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,601)	494	3,095
Net Change in Fund Balance	\$ (2,601)	\$ 494	\$ 3,095

**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, 2025, 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 13, 2025.

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 13, 2025

**Attachment 7a -
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, 2025, 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 13, 2025.

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 13, 2025

Attachment 8a

Communication to Governance

DC Ranch, McDowell Mtn Ranch, Via
Linda Rd, Waterfront Commercial CFDs

October 15, 2025

To the Board of Directors

We have audited the financial statements of the governmental activities and each major fund, as applicable of the DC Ranch CFD, McDowell Mountain Ranch CFD, Via Linda Road CFD, and the Waterfront CFD (Districts'), all component units of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2025. 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 letters' 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 audits.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Districts' are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies were not changed during the year. We noted no transactions entered into by the Districts' 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 audits.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audits, other than those that are clearly trivial, 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 audits, 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 audits.

Management Representations

We have requested certain written representations from management, which are included in the management representation letters' 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 Component Unit'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 Component Unit's auditors.

Other Matters

An emphasis-of-matter paragraph has been included in the auditor's reports to indicate that the financial statements are intended to present the net positions and changes in net positions that are attributable to the Districts' alone and do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2025, and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to these matters.

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 auditors’ report on the financial statements we will also issue the following documents related to these audits. 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 copies of the signed engagement letters’ provided to us at the initiation of the audits, and copies of the management representation letters’ provided to us at the conclusion of the audits. 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 the Districts’ 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?

Attachment 8b
Communication to Governance
Municipal Property Corporation (MPC)

October 15, 2025

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, 2025. 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, 2025 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?
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- 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?

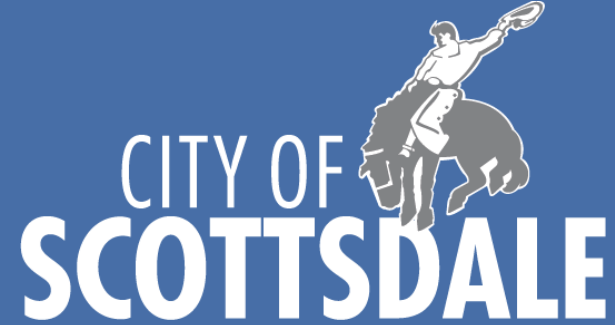
8. Does the hiring policy include the following (where permitted by law)?

- 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?



FY 2024/25 Annual Financial Audit

City Council Meeting – January 13, 2026

Lai Cluff, Acting City Auditor

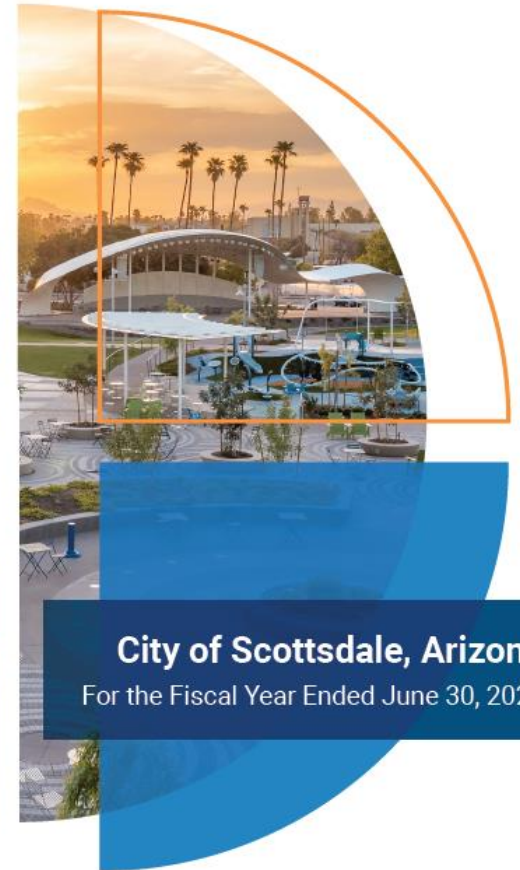
Brittney Williams, CPA, Heinfeld, Meech & Co., P.C.

Background

- Charter requires City Council to designate CPAs to perform an independent audit of City's annual financial statements.
- Council assigned financial audit contract responsibility to City Auditor.
- Audit Committee received the FY 2024/25 financial audit reports at its December 12th meeting.



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Summary of Financial Audit Reports

Annual Comprehensive Financial Report

Unmodified opinion – financial statements are fairly presented in all material respects.

Component Units' Financial Reports

- Community Facilities Districts
(4 CFDs: DC Ranch, McDowell Mountain Ranch, Via Linda Road, Waterfront)
- Municipal Property Corporation (MPC)
 - *Unmodified opinions on each*



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, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, Compensated Absences, for the year ended June 30, 2025. 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 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.

Related Communications

Communication to Governance – for City and each Component Unit

Addresses key points such as:

- Accounting practices, significant estimates – *no issues*
- Audit adjustments or disagreements with management – *no issues*
- Other similar matters - *no issues*

November 17, 2025

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, 2025. 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.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The City's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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.

Federal Funding/Compliance Reports

Single Audit Report:

Report on Internal Control and Compliance based on the Financial Statement audit

- No significant deficiencies, material weaknesses or issues related to noncompliance.

Completion of the Single Audit anticipated late January/ February 2026.



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, 2025, 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 November 17, 2025. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

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 were not identified.

Other funding/compliance reports

State funding/compliance report

- **Highway User Revenue Fund (HURF) uses -**
City complied with state requirements

Other reports to be completed in February/ March 2026:

- **HUD-required financial schedule – (federal)**
- **Annual Expenditure Limitation Report – (state)**



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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, 2025. 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, 2025.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
November 17, 2025

Requested Action

Accept the FY 2024/25 financial audit reports as submitted by the City's external financial auditors, Heinfeld, Meech & Co. P.C.