

Melrose

CITY OF SCOTTSDALE

FINANCIAL STATEMENTS

* * *

JUNE 30, 1962

PRICE WATERHOUSE & CO.

PRICE WATERHOUSE & CO.

222 NORTH CENTRAL AVENUE

PHOENIX 4

September 13, 1962

City Council of the
City of Scottsdale

In our opinion, except for property and equipment as to which the scope of our examination was limited, the accompanying statements present fairly the assets, liabilities and fund balances of the City of Scottsdale at June 30, 1962 and the revenues, expenditures and changes in fund balances for the year then ended in conformity with generally accepted principles of municipal accounting applied on a basis consistent with that of the preceding year, except for the change, which we approve, in accounting for assets acquired from general governmental funds, as described in Note 1 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that, as instructed, we limited our examination of property and equipment to amounts expended therefor during the year ended June 30, 1962.

Price Waterhouse & Co.

CITY OF SCOTTSDALE

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
JUNE 30, 1962

	Combined totals	General governmental funds (Exhibit IV)	Sanitary sewer funds	Special assessment fund	Debt service fund	Trust and agency funds	General property fund
<u>ASSETS</u>							
Cash in bank and on hand (Note 3)	\$ 329,601	\$124,063	\$ 92,997	\$ 40,459	\$ 65,191	\$ 6,891	
Time deposits (Note 3)	1,310,800		1,275,000	30,000	5,800		
Receivables for:							
Sewer service	39,622		39,622				
Refuse removal service, less \$5,000 for estimated uncollectible accounts	26,158	26,158					
Property tax assessments	6,057	6,057					
Other	13,684	13,684					
Due from other funds	168,948	153,064	9,864	2,177	3,843		
Special assessments receivable	406,939		25,827	381,112			
Prepaid improvement district incidental costs	47,513					47,513	
Property and equipment (Note 1)	1,467,112		1,080,388				\$386,724
	<u>\$3,816,434</u>	<u>\$323,026</u>	<u>\$2,523,698</u>	<u>\$453,748</u>	<u>\$74,834</u>	<u>\$54,404</u>	<u>\$386,724</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Accounts payable	\$ 221,818	\$190,660	\$ 31,158				
Refundable deposits:							
Sewer connections	10,940		10,940				
Construction advances	20,527		20,527				
Bond interest payable	5,891				\$ 5,891		
Improvement district assessments on city property	6,990	6,990					
Due to other funds	168,948	50,892	51,664	\$ 1,132	17,747	\$47,513	
Improvement district bonds and interest payable	449,969			449,969			
Deposits in trust and agency funds	6,891					6,891	
Deferred credit to revenue and reserve arising from sewer connection charges	25,827		25,827				
Bonds payable:							
General obligation	1,355,000	5,000	1,115,000		33,000		\$202,000
Revenue	948,000		910,000		2,000		36,000
Fund balances (Exhibit II)	595,633	69,484	358,582	2,647	16,196		148,724
	<u>\$3,816,434</u>	<u>\$323,026</u>	<u>\$2,523,698</u>	<u>\$453,748</u>	<u>\$74,834</u>	<u>\$54,404</u>	<u>\$386,724</u>

CITY OF SCOTTSDALE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1962

	General governmental funds	Sanitary sewer funds	Debt service fund	Special assessment fund	General property fund
Revenues:					
City privilege and business taxes	\$ 431,001				
Apportionments from the State of Arizona -					
Sales tax	177,084				
Motor vehicle license tax	50,882				
Gasoline tax	32,402				
Property taxes	72,553		\$ 396		
Traffic fines and forfeitures	73,857				
Building permits	62,404				
Public service franchise	22,588				
Recreation department fees	15,808				
Contractors' licenses	10,267				
Refuse removal and sewer service	189,645	\$152,272			
Interest		13,277	9,608	\$ 598	
Miscellaneous	16,505	2,919		446	
Total revenues	1,154,996	168,468	10,004	1,044	
Interfund transfers	(31,655)	(108,134)	139,789		
Total revenues and interfund transfers	1,123,341	60,334	149,793	1,044	
Expenditures (Exhibit III)	1,124,185	95,294	146,256		
Excess (deficiency) of revenues and inter- fund transfers over expenditures	(844)*	(34,960)	3,537	1,044	
Fund balances at June 30, 1961	133,540	353,954	12,659	1,603	
Changes during the year:					
Transfer of surplus invested in property and equipment at June 30, 1961	(58,125)				\$ 58,125
Invested in property and equipment -					
Capital outlays		5,392			61,516
Retirement of bonds and other liabilities		29,000			22,093
Transfer of unrestricted fund balance equivalent to improvement district assessments on city property	(6,990)				6,990
Additions to sewer assessment reserve		5,196			
Public works construction fund	1,903				
Fund balances at June 30, 1962	\$ 69,484	\$358,582	\$ 16,196	\$2,647	\$148,724
Representing:					
Sewer assessment reserve		\$ 13,802			
Grants in aid of construction		182,225			
Surplus invested in property and equipment		166,763			\$148,724
Other restricted surplus			\$ 5,784		
Unrestricted fund balances	\$ 69,484	(4,208)	10,412	\$2,647	
	\$ 69,484	\$358,582	\$ 16,196	\$2,647	\$148,724

* Comprising \$4,710 excess in general fund and \$5,554 deficiency in gas tax fund.

CITY OF SCOTTSDALEEXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>GENERAL FUND</u>			
Building and grounds maintenance:			
Contractual services	\$ 4,702	\$ 4,750	\$ 48
Commodities	2,546	2,275	(271)
Miscellaneous expenses	213	1,000	787
Capital outlay	414	420	6
	<u>7,875</u>	<u>8,445</u>	<u>570</u>
City clerk:			
Personal services	15,806	15,696	(110)
Contractual services	294	324	30
Commodities	1,482	1,450	(32)
Miscellaneous expenses	181	110	(71)
Capital outlay	923	816	(107)
	<u>18,686</u>	<u>18,396</u>	<u>(290)</u>
Magistrate:			
Personal services	8,577	8,427	(150)
Contractual services	137	120	(17)
Commodities	2,155	2,000	(155)
Miscellaneous expenses	10	10	
Capital outlay	754	760	6
	<u>11,633</u>	<u>11,317</u>	<u>(316)</u>
City attorney:			
Personal services	4,050	3,900	(150)
Contractual services	8,626	9,454	828
Commodities	379	290	(89)
Miscellaneous expenses	1,008	896	(112)
Capital outlay	456	460	4
	<u>14,519</u>	<u>15,000</u>	<u>481</u>
City manager:			
Personal services	21,733	24,094	2,361
Contractual services	490	500	10
Commodities	3,732	3,668	(64)
Miscellaneous expenses	2,622	1,742	(880)
Capital outlay	1,778	1,436	(342)
	<u>30,355</u>	<u>31,440</u>	<u>1,085</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
City engineer:			
Personal services	24,403	23,903	(500)
Contractual services	200	1,200	1,000
Commodities	3,822	2,550	(1,272)
Miscellaneous expenses	2,079	1,850	(229)
Capital outlay	<u>2,471</u>	<u>6,110</u>	<u>3,639</u>
	<u>32,975</u>	<u>35,613</u>	<u>2,638</u>
Mayor and council:			
Contractual services	2,133	1,604	(529)
Commodities	284	325	41
Miscellaneous expenses	2,881	3,356	475
Capital outlay	<u>53</u>	<u>75</u>	<u>22</u>
	<u>5,351</u>	<u>5,360</u>	<u>9</u>
Accounting:			
Personal services	11,526	11,660	134
Commodities	2,462	2,488	26
Miscellaneous expenses	105	159	54
Capital outlay	<u>1,563</u>	<u>1,950</u>	<u>387</u>
	<u>15,656</u>	<u>16,257</u>	<u>601</u>
Community promotion:			
Personal services	1,470	2,160	690
Commodities	774	750	(24)
Miscellaneous expenses	<u>4,000</u>	<u>4,150</u>	<u>150</u>
	<u>6,244</u>	<u>7,060</u>	<u>816</u>
Police department:			
Personal services	155,387	167,650	12,263
Contractual services	11,387	14,500	3,113
Commodities	34,570	35,970	1,400
Miscellaneous expenses	8,865	23,640	14,775
Capital outlay	<u>18,600</u>	<u>29,500</u>	<u>10,900</u>
	<u>228,809</u>	<u>271,260</u>	<u>42,451</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
Building inspection:			
Personal services	26,026	25,500	(526)
Contractual services		100	100
Commodities	2,490	3,050	560
Miscellaneous expenses	2,719	2,600	(119)
Capital outlay	168	240	72
	<u>31,403</u>	<u>31,490</u>	<u>87</u>
Civil defense:			
Commodities	16	50	34
Miscellaneous expenses	30	50	20
	<u>46</u>	<u>100</u>	<u>54</u>
Planning and zoning:			
Personal services	1,988	2,764	776
Contractual services	287	300	13
Commodities	291	380	89
Miscellaneous expenses	90	460	370
Capital outlay	911	1,075	164
	<u>3,567</u>	<u>4,979</u>	<u>1,412</u>
Street maintenance:			
Personal services	6,081	21,300	15,219
Contractual services	4,082	3,320	(762)
Commodities	33,623	29,720	(3,903)
Miscellaneous expenses	1,092	1,233	141
Capital outlay	2,778	4,070	1,292
	<u>47,656</u>	<u>59,643</u>	<u>11,987</u>
Street lighting:			
Contractual services	2,012	2,800	788
Commodities	661	780	119
Miscellaneous expenses		85	85
Capital outlay	458	200	(258)
	<u>3,131</u>	<u>3,865</u>	<u>734</u>

CITY OF SCOTTSDALE
EXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
Parks and recreation:			
Personal services	58,557	55,263	(3,294)
Contractual services	6,707	8,555	1,848
Commodities	8,084	9,390	1,306
Miscellaneous expenses	499	860	361
Capital outlay	808	925	117
	<u>74,655</u>	<u>74,993</u>	<u>338</u>
Refuse removal:			
Personal services	8,156	8,899	743
Contractual services	310,146	316,151	6,005
Commodities	5,784	4,100	(1,684)
Miscellaneous expenses	991	710	(281)
Capital outlay	877	864	(13)
	<u>325,954</u>	<u>330,724</u>	<u>4,770</u>
Other expenditures:			
Fire protection	27,465	27,000	(465)
Health and accident	3,227	3,160	(67)
Legal advertising	6,421	6,500	79
Insurance	9,489	8,339	(1,150)
Utilities	5,032	5,000	(32)
Contingencies	14,663	16,000	1,337
Miscellaneous	5,828	7,027	1,199
	<u>72,125</u>	<u>73,026</u>	<u>901</u>
Total general fund	<u>930,640</u>	<u>\$998,968</u>	<u>\$68,328</u>

SPECIAL GENERAL FUND

Elections:			
Personal services	1,644	\$ 500	\$(1,144)
Contractual services	5,452		(5,452)
Commodities	868	500	(368)
	<u>7,964</u>	<u>1,000</u>	<u>(6,964)</u>
Other:			
Social security expense	11,835	14,900	3,065
Arizona state retirement	11,329	15,000	3,671
	<u>31,128</u>	<u>\$30,900</u>	<u>\$(228)</u>

CITY OF SCOTTSDALE
EXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>LIBRARY FUND</u>			
General expenses:			
Personal services	9,337	\$10,140	\$ 803
Contractual services	1,175	1,000	(175)
Commodities	4,832	3,415	(1,417)
Miscellaneous expenses	205	700	495
Capital outlay	4,890	5,400	510
Memorial books purchased	460		(460)
	<u>20,899</u>	<u>\$20,655</u>	<u>\$ (244)</u>
<u>GAS TAX FUND</u>			
Street maintenance:			
Personal services	32,443	\$20,900	\$(11,543)
Capital outlay	1,898	25,485	23,587
	<u>34,341</u>	<u>\$46,385</u>	<u>\$ 12,044</u>
<u>PUBLIC WORKS RESERVE FUND</u>			
General expenses:			
Master plan	9,648	\$ 3,000	\$(6,648)
Traffic lights	6,072	15,500	9,428
Storm drainage participation	23,542	26,500	2,958
Clearing right of way	5,869	18,000	12,131
Land rent	2,913	14,000	11,087
Community Center including \$19,351 interest	34,351	30,000	(4,351)
Community Center improvements	3,073	3,750	677
Improvement district assessments on city property	1,094	7,000	5,906
Street maintenance equipment	10,516	10,250	(266)
Parking lot improvements		15,000	15,000
Bridge over Crosscut Canal at Osborn Road		15,000	15,000
Paving intersection at Camelback and Scottsdale Roads	3,277		(3,277)
Remodeling city offices	5,215		(5,215)
Miscellaneous	1,607	5,000	3,393
Fire hydrants		6,000	6,000
Seal coating		11,000	11,000
	<u>107,177</u>	<u>\$180,000</u>	<u>\$72,823</u>
Total general governmental expenditures	<u>\$1,124,185</u>		

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1962

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>SANITARY SEWER FUNDS</u>			
Sewer treatment plant:			
Personal services	\$33,718	\$30,393	\$ (3,325)
Contractual services	6,937	6,340	(597)
Commodities	17,000	4,420	(12,580)
Other expense	2,349	840	(1,509)
Capital outlay	<u>5,392</u>	<u>14,360</u>	<u>8,968</u>
	\$65,396	<u>\$56,353</u>	<u>\$ (9,043)</u>
Non-budgetary funds:			
Construction	22,752		
Replacement and extension	<u>7,146</u>		
	<u>\$95,294</u>		

Exhibit II

DEBT SERVICE FUND

	<u>Total</u>	<u>Interest</u>	<u>Redemption</u>
General obligation bonds:			
Sewer - 1957	\$ 24,200	\$14,200	\$10,000
Sewer - 1960	16,360	2,360	14,000
Sewer - 1961	29,843	29,843	
Public works	28,040	9,040	19,000
Revenue bonds:			
Sewer - 1957	14,138	9,138	5,000
Sewer - 1961	30,060	30,060	
Gas tax anticipation bonds	<u>3,615</u>	<u>1,615</u>	<u>2,000</u>
	<u>\$146,256</u>	<u>\$96,256</u>	<u>\$50,000</u>

Exhibit II

CITY OF SCOTTSDALE

GENERAL GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

JUNE 30, 1962

	<u>Total</u>	<u>General fund</u>	<u>Library fund</u>	<u>Gas tax fund</u>	<u>Public works reserve fund</u>	<u>Public works construction fund</u>
<u>ASSETS</u>						
Cash in bank and on hand	\$124,063	\$101,837		\$ 64	\$13,851	\$8,311
Receivables for:						
Refuse removal service, less \$5,000 for estimated un- collectible accounts	26,158	26,158			6,057	
Property tax assessments	6,057				10,000	
Other	13,684	3,684				
Due from other funds	<u>153,064</u>	<u>113,908</u>	<u>—</u>	<u>904</u>	<u>38,252</u>	<u>—</u>
	<u>\$323,026</u>	<u>\$245,587</u>	<u>-0-</u>	<u>\$968</u>	<u>\$68,160</u>	<u>\$8,311</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable	\$190,660	\$186,160			\$ 4,500	
Improvement district assessments on city property	6,990	6,990				
Due to other funds	50,892	14,336		\$1,898	33,250	\$1,408
Bonds payable	5,000					5,000
Fund balances	<u>69,484</u>	<u>38,101</u>	<u>—</u>	<u>(930)</u>	<u>30,410</u>	<u>1,903</u>
	<u>\$323,026</u>	<u>\$245,587</u>	<u>-0-</u>	<u>\$ 968</u>	<u>\$68,160</u>	<u>\$8,311</u>

CITY OF SCOTTSDALE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1962

NOTE 1 - Principles of accounting:

The accounts of the City of Scottsdale are maintained on a modified cash basis in accordance with the balanced fund principle of governmental accounting. Revenues arising from taxation are recorded only when received in cash; revenues from city services such as sewer and trash pickup are recorded when earned. Expenditures are recorded when the liability therefor has been incurred, except for interest on the bonded debt which is recorded when paid.

Property and equipment shown in the balance sheet represents acquisitions since May 1, 1956 from bond proceeds, grants in aid of construction and other city funds expended in connection with the projects so financed. In general, assets acquired prior to June 30, 1961 from general governmental funds are not included in the balance sheet as no historical record of such assets has been maintained by the city. Effective July 1, 1961 the city adopted the policy of capitalizing land, buildings and equipment acquired from general governmental funds and established the general property fund to account for these assets.

The recorded assets are carried at cost. Depreciation is not recognized in the accounts. City officials plan to undertake a complete inventory of property and equipment in the near future and establish suitable detail records of all city property.

NOTE 2 - Description of funds:

The financial activities of the city are carried out through several funds in accordance with applicable state law and resolutions of the city council. These funds are classified in the following

categories:

1. General governmental funds - These consist of the general fund and special general, library, gas tax and public works reserve funds. The revenues of these funds are derived primarily from the city's taxing and licensing powers and from allocations of sales, gasoline and motor vehicle license taxes received from the State of Arizona and Maricopa County. The revenues of the general fund are used for the general activities of the city and, by transfers to the special general fund, for social security and retirement contributions and for conducting city elections. Library fund revenues are used for the operation of the city library, including the purchase of books. Gas tax and public works reserve fund revenues are used respectively for street construction or maintenance and for general property additions or replacements, as required by law.
2. Sanitary sewer funds - Revenues of these funds are principally from charges made to city residents for use of the sanitary sewer services. Expenditures from the funds are for operation of the sewer treatment plant and additions to the system. Monies are also transferred from these funds for debt service in accordance with the terms of the bond resolutions.
3. Debt service fund - Revenues of this fund are principally transfers from general and sanitary sewer funds, and are used to pay interest on the outstanding debt and to redeem maturing bonds.
4. Special assessment fund - This fund accounts for collection of assessments levied against owners of property within established improvement districts and disbursement of the amounts so collected to retire the bonds issued to finance the improvements.
5. Trust and agency funds - The purpose of these funds is to

account for monies received and expended by certain city officials as trustee or agent.

6. General property fund - This separate balanced group of accounts is used to record all city properties (other than the sanitary sewer system), the liability for unmatured bonds which financed the properties and the surplus invested therein.

NOTE 3 - Restricted cash and time deposits:

Cash in bank at June 30, 1962 includes certain amounts which are restricted and may be expended only for the specific purposes for which they have been set aside, as follows:

General governmental funds	\$ 14,311
Sanitary sewer funds	28,364
Special assessment fund	40,459
Debt service fund	43,847
Trust and agency funds	<u>6,891</u>
	<u>\$133,872</u>

Time deposits in the combined total amount of \$1,310,800 mature on or before September 1, 1962 and bear interest at the rate of 1.924%. Except for \$5,800 in the debt service fund, all of these time deposits are restricted as to use. The \$30,000 in the special assessment fund may be used only to pay improvement district bonds and interest. The \$1,275,000 in the sanitary sewer funds, together with \$13,904 of the restricted cash referred to in the preceding paragraph comprises the unexpended portion of proceeds of the 1961 bond issue, and may be expended only for sewer system construction and related purposes for which the bonds were authorized.

The balance sheet does not include cash on deposit with fiscal agents for current bond interest and redemption amounting to \$54,551 at June 30, 1962.

NOTE 4 - Contingent liabilities and commitments:

In April 1961 certain officials of the city entered into a contract for the purchase of 10 acres of land for a total price of

\$54,000 of which \$10,000 was paid in cash and the balance was payable over approximately ten years in accordance with the terms of a mortgage and contract. City officials believe, on the advice of counsel, that the contract is invalid; accordingly the liability thereunder is not recorded, the periodic payments have not been made, and the \$10,000 down payment which is expected to be recovered is included in receivables in the balance sheet.

The city has been named defendant in a suit brought by Garbage Service Co. to collect \$82,199 billed by Garbage Service Co. for refuse removal and use of a sanitary land fill for the months of May and June 1962 under two contracts between the city and the company. City officials believe that the city is entitled to certain reductions in the amounts sought by Garbage Service Co. but have not yet determined the full amount of such reductions. An amount of \$80,316 for this liability is included in general fund accounts payable.

Judgment in the amount of \$10,000 has been entered against the city by the Superior Court of Maricopa County as the result of a damage suit brought by the owner of property adjacent to the city sewage treatment plant. The city has appealed the decision and has not recorded the liability for the judgment pending hearing of the appeal.

The legality of annexation in December 1961 of approximately six square miles of territory east of the previous city limits has been challenged by the Attorney General and the case is now pending in Maricopa County Superior Court. City officials believe that the annexation was valid, and in the opinion of counsel, no material liability to the city will result if the annexation is held to be invalid.

The city is leasing certain property and equipment with the option to purchase and apply rentals paid to the purchase price. As the purchase options have not been exercised, liability for remaining payments which under existing agreements could total approximately \$250,000 has not been recorded in the city's accounts.