



CITY OF PHOENIX, ARIZONA **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR FISCAL YEAR ENDED JUNE 30, 2017

PRESERVING KEY SERVICES,
FOCUSING ON SAFETY

City of Phoenix, Arizona



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

City Council

Greg Stanton, Mayor
Thelda Williams, District 1
Jim Waring, District 2
Debra Stark, District 3
Laura Pastor, Vice Mayor, District 4
Daniel Valenzuela, District 5
Sal DiCiccio, District 6
Michael Nowakowski, District 7
Kate Gallego, District 8

Administrative Staff

Ed Zuercher, City Manager

Prepared By

Finance Department
Denise Olson, Chief Financial Officer



City of Phoenix

Comprehensive Annual Financial Report

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Introductory Section

The Introductory Section includes the City's transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, and the City's organizational chart.



City of Phoenix
FINANCE DEPARTMENT
FINANCIAL ACCOUNTING AND REPORTING DIVISION

December 29, 2017

Honorable Mayor, City Council and City Manager:

In accordance with the requirements of the City Charter, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Phoenix, Arizona (the "City"), for the fiscal year ended June 30, 2017. These financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the City has established a comprehensive framework of internal controls that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management's Discussion and Analysis (MD&A) beginning on page 5 provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

Independent Audits

The City Charter requires an annual audit by independent certified public accountants. The City's Audit Committee has selected the independent audit firm of BKD LLP to perform the audit of the City's CAFR for fiscal year 2016-2017. The Independent Auditor's Report on the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund and the aggregate remaining funds is included in the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments Act of 1996 and U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which superseded *OMB Circular A-133* and other related documents. BKD LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Amendments Act of 1996 and related OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Due to the size and complexity of the City's financial systems, the single audit report is issued separately from this CAFR. Copies are available upon request from the City's Finance Department, through the Financial Accounting and Reporting Division on the 9th floor of 251 W. Washington Street, Phoenix, Arizona, 85003, or on the City's internet site: <https://www.phoenix.gov/financesite/Pages/singleauditindex.aspx>.

City Profile

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The City's five enterprise funds provide aviation, convention, water, wastewater and solid waste disposal services. In addition, standards set by the GASB regarding the inclusion of certain entities based upon the significance of their operations or financial relationships with the City, require that the activities of the City of Phoenix Employees' Retirement System ("COPERS"), the City of Phoenix Civic Improvement Corporation, the Phoenix Housing Financing Corporations, the Phoenix Industrial Development Authority and the Downtown Phoenix Hotel Corporation be included in the reporting entity.

Phoenix is the fifth largest City in the United States, the state capital of Arizona, and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Goodyear, Tolleson, El Mirage, Surprise, Litchfield Park and Avondale; the towns of Buckeye and Gilbert; and all unincorporated areas of the County. Phoenix is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is widely known for its mild winters, having over 300 days of sunshine a year, a variety of outdoor recreation activities, and its close proximity to the Grand Canyon National Park.

Phoenix was founded in 1870 as an agricultural community, and in 1881 was incorporated as a City. Phoenix operates under a Council-Manager form of government as provided by its Charter, which was adopted in 1913. Under this organizational structure, the Mayor and Council appoint a city manager to act as the chief operating officer. The Mayor and City Council set policy direction and the city manager implements those policies in an efficient and effective manner. In 1982, an initiative was passed by the Phoenix voters creating a district system for electing council members and the number of Council seats was increased from six to eight. The Mayor is elected at-large, while Council members are elected by voters in each of eight separate districts they represent. The Mayor and each Council member have equal voting power.

The City has grown steadily since its inception and has shown especially strong growth since 1950. In 1950, the City occupied 17 square miles with a population of almost 107,000, ranking it 99th among American cities. The 1990 census recorded Phoenix's population at 983,403 and the 2010 census recorded Phoenix's population at 1,447,128. As of June 30, 2017, the City encompassed 519.5 square miles, with the City of Phoenix estimating the City's population at 1,579,253 making it the fifth most populous city in the United States.

Major employers of the Phoenix metropolitan area include the State of Arizona, Banner Health, Wal-Mart Stores Inc., Wells Fargo & Co., City of Phoenix, Maricopa County, Arizona State University, HonorHealth, Dignity Health and Intel Corp..

Budgeting Systems and Controls

The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the General fund, Secondary Property Tax Debt Service, City Improvement Debt Service and enterprise funds and several special revenue funds on a modified accrual basis plus encumbrances. The level of legal budget control is by fund, except the General Fund for which the control is by program.

After tentative adoption of the budget, the Council may make changes, but may not increase the budget totals except in those areas exempted by State budget law. The exemptions apply to Federal funds, Arizona Highway User funds, debt service and bond funds. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the City Council. Throughout the budget year, the Council may also appropriate additional general purpose funds by use of a contingency appropriation reserved to cover emergencies or other necessary expenditures as determined by the Council. Supplemental appropriations may be adopted for expenditures exempt from the State expenditure limitation, such as federally-funded programs, provided funds are available. State law requires the City to re-budget (reappropriated) funds for the completion of contracts which were originally budgeted for and encumbered in a previous fiscal year. This law necessitates an additional appropriation ordinance to re-budget funds for contracts not completed by June 30.

Economic Condition and Outlook

Phoenix continues to be an attractive place to live and work and has been one of the most rapidly growing metropolitan areas in the country in recent decades. The City has shown steady growth in terms of population, employment, housing starts, affordable housing, personal income, and retail sales in recent years. The City continues to implement policies and standards to remain structurally balanced, maintain or improve current service levels, and attract wealth generating companies.

Phoenix continues to be among the fastest growing cities in the country. During the period of 2010 to 2016, population growth was an estimated 11.7% in Phoenix as compared to 4.7% for the U.S. In that same time frame, employment in the Phoenix area has grown 15.0% while employment in the U.S. has grown 10.5%. The Phoenix area unemployment rate has generally been lower than the rate for the U.S. since 2009. As of September 2017, the unemployment rate for the Phoenix area was 3.8% and the U.S. was 4.2%. The Phoenix area has a mix of industry that mirrors the U.S. The primary employment sectors and their share of total employment consist of the service industry including financial activities (55.5%); trade, transportation, and utilities (19.3%); government (11.6%); manufacturing (6.2%); construction (5.5%); information (1.7%); and natural resources and mining (0.2%).

The housing market in the Phoenix area is growing as building permits associated with single-family homes increased 9.7% from 2015 to 2016 to the highest level since 2007. Data produced by the National Association of Realtors indicates that the median sales price for an existing single-family home in Greater Phoenix increased 24.6% from 2014 to the second quarter of 2017 as compared to a 22.3% increase nationwide for the same time period. Housing remains affordable despite the strong recovery in home prices in the Phoenix area. The U.S. median sales price for an existing single-family home in 2016 was \$235,500 and the median sales price for a similar home in Greater Phoenix was \$232,700. The median price of existing single-family homes in Greater Phoenix continue to remain low relative to most major western cities including Los Angeles, San Diego, Denver, Seattle, Portland, and Salt Lake.

According to the Greater Phoenix Blue Chip Economic Forecast, retail sales in the Phoenix area which declined 0.7% in 2010, grew by an average of 7.8% per year from 2011 through 2015, and grew 3.7% in 2016. This growth was supported by gains in personal income averaging 4.8% from 2011 through 2016. The Greater Phoenix Blue Chip Economic Forecast estimates increases in retail sales of 5.4% in 2017 and 5.8% in 2018.

In fiscal year 2013-14, the secondary assessed valuation of \$9.97 billion was the lowest for the City since fiscal year 2003-04. The secondary assessed valuation increased to \$10.82 billion for fiscal year 2014-15, an 8.5% increase. For fiscal year 2015-16, the primary assessed valuation and the secondary assessed valuation were combined into a single valuation of \$10.58 billion, a decrease of 2.2%. The fiscal year 2016-17 assessed valuation increased 3.8% to \$10.98 billion. The fiscal year 2017-18 assessed valuation increased 6.7% to \$11.72 billion. On July 6, 2017 the Phoenix City Council voted to decrease the City total property tax rate (primary and secondary) to \$2.16 from \$2.17 per \$100 assessed valuation.

The City Excise Taxes, consisting primarily of City sales taxes, increased from \$816.5 million in fiscal year 2015-16 to \$876.9 million in fiscal year 2016-17. This is an increase of \$60.4 million or 7.4% resulting from growth and the full year impact of the Transportation 2050 tax that was implemented in January 2016.

Finally, the City of Phoenix along with the Greater Phoenix Economic Council, are working together to attract wealth generating companies from outside the region to Phoenix and to encourage expansion of existing companies. Employers that have recently relocated or expanded their headquarters or major operations in Phoenix include Kattera, Medline Industries, Zenreach, RJR Technologies, Banner Arizona Medical Clinic, Quicken Loans and Advisor Group. The long term outlook remains positive for the metropolitan Phoenix area due to expectations that strong population and employment growth will resume, and will continue through the next two decades.

Long-Term Financial Planning

The City's financial planning process is primarily driven by the budget process. This process includes the annual operating budget which is prepared on a modified zero-base budgeting process. This includes an annual base budget for each City department that is subjected to a detailed technical review and is adjusted for base reductions or supplementals (budget additions) based on revenue and expenditure forecasts. City departments are required to review their budget after the third month of the fiscal year (3+9) and information is updated after the seventh month of the fiscal year (7+5). The budget process also includes input from the departments, the City Manager's Office, City Council, and citizens including numerous community budget hearings. The City Council formally adopts the budget for the following year in mid-June.

As part of the annual budget process, departments also submit five-year capital plans for review and approval based on available funding. The capital plans are updated annually and approved by the City Council and serve as the primary drivers of the long-term financial planning process. As part of this process, revenue forecasts of property tax revenues, excise taxes, and user fees related to enterprise funds are updated annually in order to determine the long-term funding availability.

The enterprise departments routinely update their long-range capital and financial plans. This process has been very valuable in determining the rates necessary to support the enterprise funds and their capital programs and in identifying industry trends. The process has allowed the enterprise departments to adjust their capital spending and operations accordingly.

Major Initiatives and Awards

In July 2016, The City of Phoenix received the highest level awarded by The International City/County Management Association (ICMA) for performance management efforts. ICMA went through a careful assessment of more than 52 communities, looking for how they demonstrated leadership in continuous improvement and community engagement using performance analysis and cited Phoenix as a model city for other governments in performance analysis. To achieve this award, the City had to show excellence in reporting of performance data to the public, data verification efforts, staff training, use of performance data in strategic planning, sharing of performance measurement knowledge with other local governments, commitment to tracking and reporting to the public key outcomes, surveying of both residents and local government employees, and effective and timely reporting.

In November 2016, the City of Phoenix was recognized as a technology leader for using digital solutions to improve citizen engagement. Phoenix placed 3rd among cities of 500,000 people or more in the 2016 Digital Cities Survey organized by e.Republic's Center for Digital Government. The award marks the third consecutive year Phoenix has placed as a Top 10 Digital City.

The City's fleet was named one of the top 10 recipients of the Government Green Fleet Awards for 2016. This is the second year in a row that the City has received this recognition. The City's use of alternative fuels; processes to reduce petroleum fuel consumption and toxic emissions; as well as its policy for purchasing fuel-efficient vehicles are just some of the characteristics that make the City a recognized leader in the acquisition and management of sustainable and environmental-friendly fleet.

In December 2016, the Southwest Alliance for Excellence (SWAE) recognized the Phoenix Convention Center (PCC) as one of six recipients of SWAE's 2016 Performance Excellence Program. The program honors organizations in different industries for excellence in quality, performance and results, and is modeled after the Malcolm Baldrige National Quality Award Program. PCC was assessed on seven different criteria: Leadership, Strategy, Customers, Measurement, Workforce, Operations and Results.

In March 2017, the City of Phoenix was honored as a Pacesetter by the Grade-Level Reading campaign for its exemplary work in eliminating barriers faced by low-income family children on their path to becoming proficient readers through the City's Read On Phoenix initiative. The initiative was recognized for identifying proven and promising literacy strategies, programs and practices; supporting parent success and addressing the health determinants of early school success; utilizing data to establish baselines, set targets, track progress and ensure shared accountability; building cross-sector collaboration and community-wide mobilization; prioritizing children and families in public housing; and utilizing technology to expand reach, mobilize constituencies and improve service delivery.

For the second consecutive year, the City of Phoenix received an Outstanding Achievement in Local Government Innovation Award from the Alliance for Innovation. This year's recipient, the PHXteens program, launched in September 2016 and was developed to help teenagers better connect with the community and realize their full potential. The program is facilitated out of eight community and recreation centers located throughout the City. During its inaugural year, 233 teen registered for the program. Teens participated in 31 cultural and 24 recreational field trips, 70 teen council meetings, 28 workshops, and 2,439 volunteer hours.

In May 2017, Phoenix was named the top overall performing city in the inaugural Equipt To Innovate Survey. Equipt to Innovate is a new initiative launched by Governing Magazine and Living Cities. It is an integrated, collaborative framework of seven essential elements that define high performance government and empower innovation. The seven Equipt elements are: Dynamically Planned; Broadly Partnered; Resident-Involved; Race-Informed; Smartly Resourced; Employee-Engaged; and Data Driven. Cities from across the country participated in the inaugural 2016 Equipt survey, assessing their capacity and competence in these seven key areas.

In 2017, the valley completed a three year run of hosting major sporting events. After hosting the Super Bowl in 2015 and the College Football National Championship in 2016, the valley hosted the Final Four in 2017. As with the other two events, downtown Phoenix hosted the Final Four fan fest.

The Phoenix Water Services Department received honors for both the water and wastewater utilities. The water utility was one of ten agencies in the country to receive a Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies at its 2016 Executive Management Conference. For the seventh consecutive year, the 23rd Avenue Wastewater Treatment Plant has been recognized for its environmental stewardship. The City's plant and dedicated employees have earned the prestigious National Association of Clean Water Agencies Platinum Peak Performance Award. The award recognizes the plant's complete compliance with its National Pollutant Discharge Elimination System permit for five or more consecutive years.

In July through September 2016, the City of Phoenix, the Institute for Digital Progress, and the StartupAZ Foundation teamed up on a new, free program to help startups, entrepreneurs and innovators launch, develop or grow scalable businesses. The Summer Startup Institute was a series of workshops led by a diverse group of experts that covered a wide range of entrepreneurial, business, and technology topics. In addition to great content, the institute also provided a chance for participants to meet others in the entrepreneurial ecosystem. The program was offered at no cost thanks to the assistance of local community partners.

The City's commitment to economic development and neighborhood revitalization is evident in the repurposing of the downtown warehouse district. At the turn of the 20th Century, produce companies occupied the large warehouses located south of Jefferson and north of Sherman between Seventh Street and Seventh Avenue. Over time, the produce businesses moved on and many of the warehouses left vacant were a shadow of the area's bustling past. Recently, the Warehouse District has experienced a renaissance as startups and entrepreneurs have become increasingly attracted to the charm, history and spacious functionality of the refurbished warehouse buildings. R&R Partners, the Scheduling Institute, WebPT, and the Duce Restaurant are some of the companies that have been instrumental in the area's revitalization. The City's Community and Economic Development department has developed new marketing tools including a webpage, an interactive map, a 360 virtual tour and a promotional brochure to further promote the area and to attract more businesses.

The City contributes to three pension plans, the City of Phoenix Employees' Retirement System (COPERS) for civilian employees, the Elected Officials Retirement Plan (EORP) for the Mayor and Council members subject to eligibility, and the Arizona Public Safety Personnel Retirement System (APSPRS) for sworn police officers and firefighters. Since 2011, the City has implemented several reforms to COPERS which are expected to save the City over \$850 million over a twenty to twenty-five year period. APSPRS is an agent multiple employer plan that is operated by the State. In February 2016, the Governor signed two bills to reform APSPRS. Most of the changes only affect new hires who start after June 30, 2017, so there has been little impact to pension costs at this time.

The City continues to maintain its high quality credit ratings on General Obligation, Excise Tax, Water Revenue, Sewer Revenue and General Airport Revenue Bonds. These high quality credit ratings provided an opportunity to favorably refinance General Obligation, Excise Tax Revenue, Water Revenue and Sewer Revenue Bonds in fiscal year 2016-17 and will provide additional opportunities in the future. The City also provides critical information about City finances on an investor website at www.phoenix.gov/finance/investor. This site provides historical and investment information about the City's various credits. To see a listing of all Bond Ratings for the City of Phoenix, please refer to page 212.

Certificate of Achievement for Excellence in Financial Reporting

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 comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received this award continuously since 1976. The CAFR for fiscal year ended June 30, 2017 is being submitted to GFOA for consideration of Certificate of Achievement indicating the City's commitment in continuing to meet program requirements.

The component unit financial report for COPERS for the year ended June 30, 2016 was also awarded a GFOA Certificate of Achievement. COPERS has received this award each year since 1985.

Acknowledgments

I want to thank the staff of the Finance Department for their efforts in preparing this report and all City departments for their cooperation and assistance throughout the past year. I also want to thank the City Manager and his staff, and the Mayor and City Council in providing leadership and taking necessary actions to continue a standard of financial excellence for the City.

Respectfully submitted,



Denise M. Olson
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

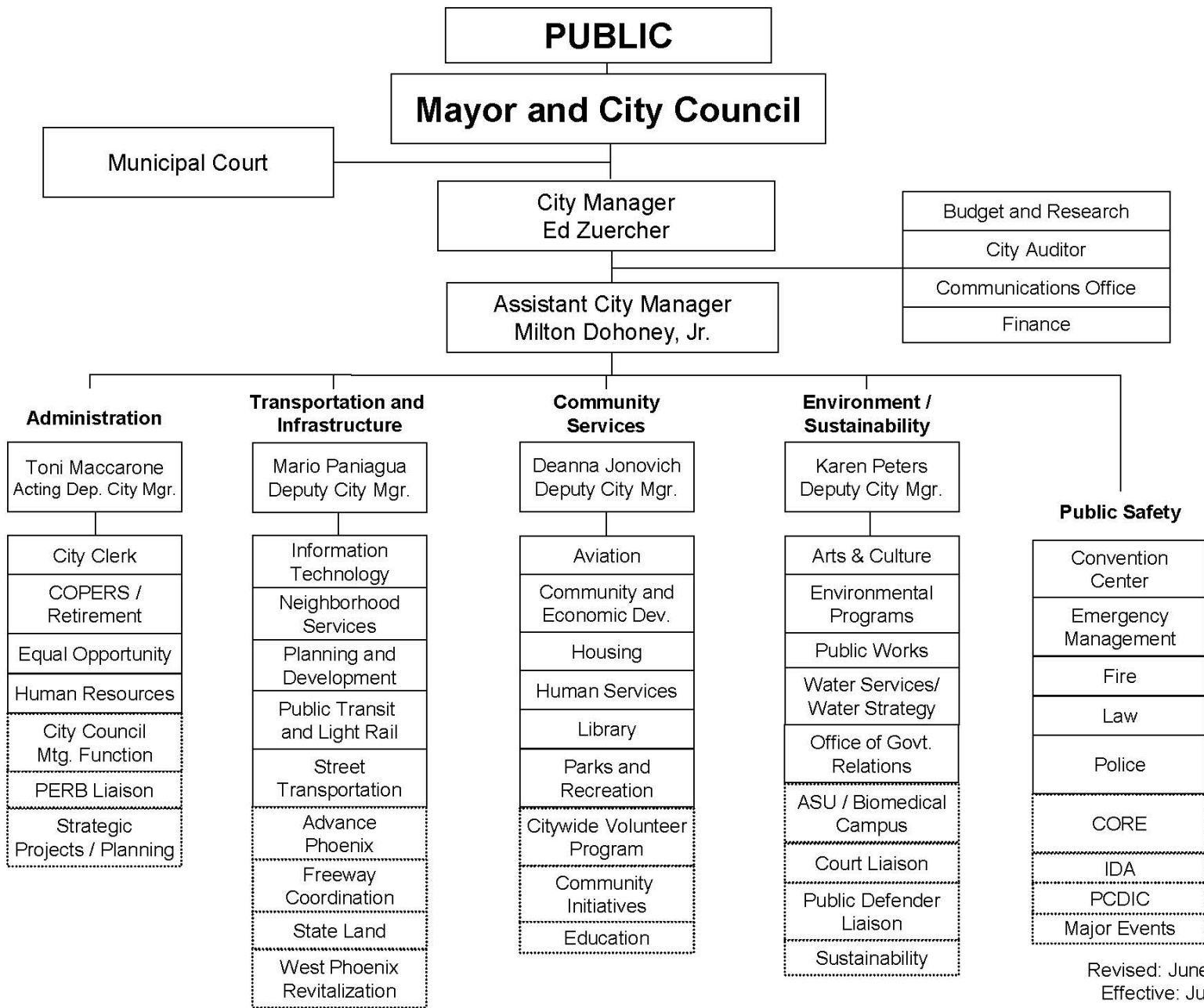
Presented to

**City of Phoenix
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Revised: June 16, 2017
Effective: July 7, 2017

City of Phoenix Council members and district boundaries



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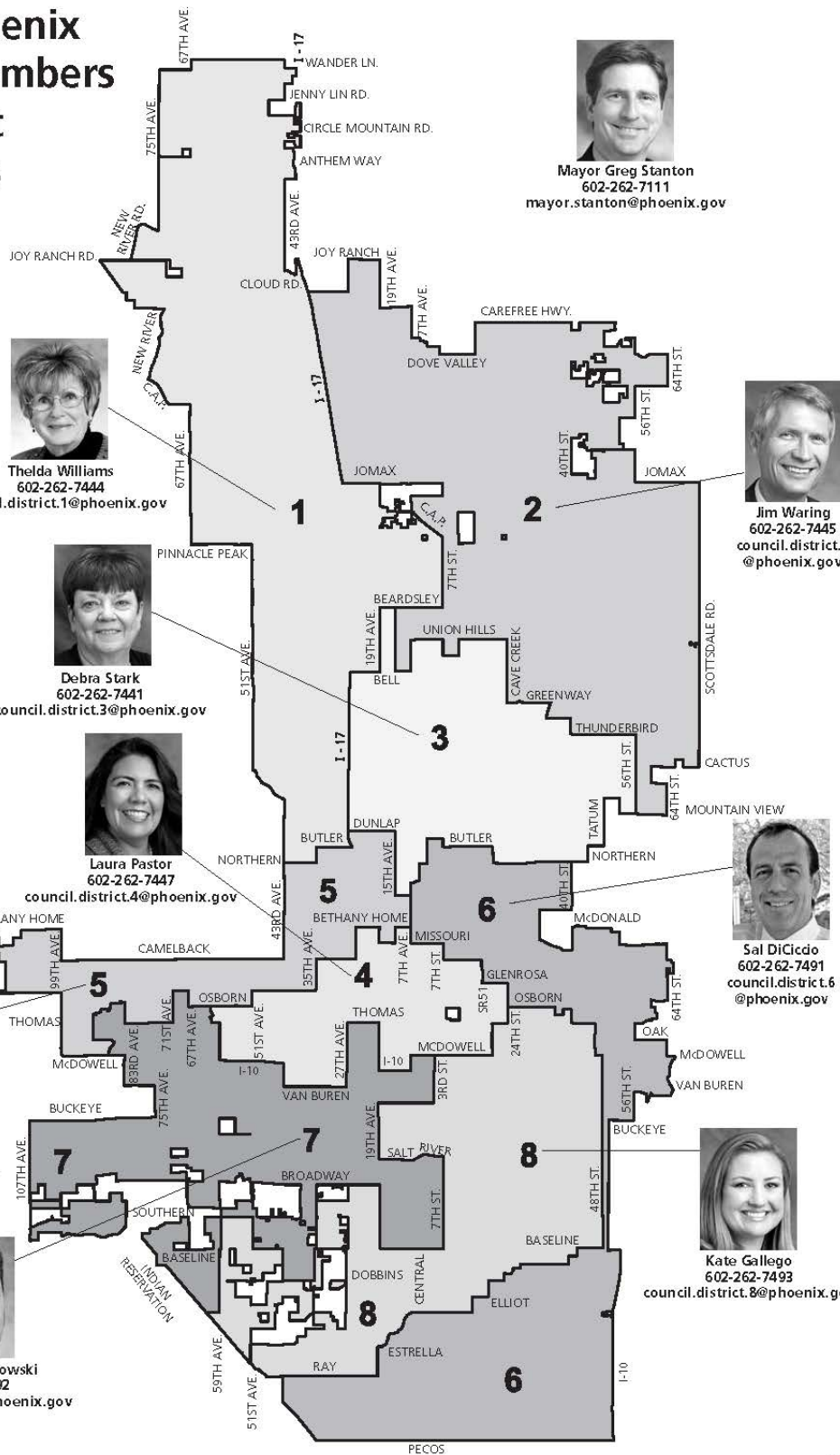
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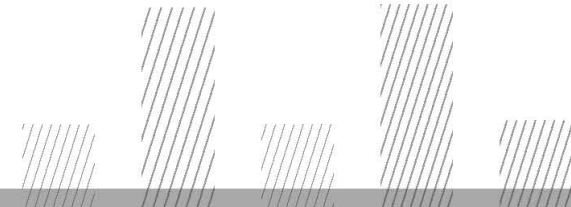


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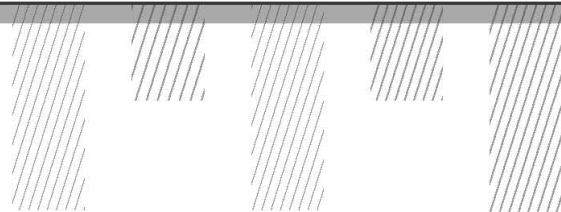


City of Phoenix



Financial Section

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis, the audited financial statements, notes to the audited financial statements, and supplemental information.



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phoenix, Arizona (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Phoenix Industrial Development Authority (IDA), a discretely presented component unit, which represents approximately 8.3% percent of the total assets and approximately 8.6% of revenue of the aggregate discretely presented component units of the City. We did not audit the financial statements of Multi-City Subregional Operating Group (SROG), a joint use agreement of the City, which represents approximately 3.9% of total assets and approximately 31.4% of total nonoperating revenues (expenses) of the enterprise funds of the City. We also did not audit the financial statements of Valley Metro Rail, Inc. or Regional Wireless Cooperative, joint use agreements of the City, which represents approximately 12.3% and 1.7%, respectively, of total assets and total expenses of the governmental activities of the City. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for IDA and the joint use activities related to SROG, Valley Metro Rail, Inc. and Regional Wireless Cooperative is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Phoenix, Arizona as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the general fund and the transit special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for 2017 the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, nonmajor governmental combining fund financial statements, nonmajor governmental funds budgetary comparison schedules, enterprise funds comparative statements, enterprise funds budget and actual schedules, fiduciary funds and component units combining statements, other supporting schedules and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental combining fund financial statements, enterprise funds comparative statements and fiduciary funds and component units combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 2017 information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statements or to the 2017 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 2017 nonmajor governmental combining fund financial statements, enterprise funds comparative statements and fiduciary funds and component units combining statements are fairly stated in all material respects in relation to the 2017 basic financial statements as a whole. The 2016 basic financial statements were audited by other auditors and in their report dated December 19, 2016, they expressed an in-relation-to opinion on the 2016 information presented with the 2017 comparative supplementary information.

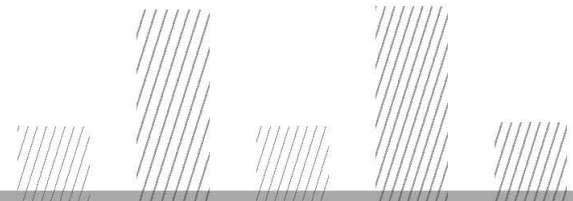
The introductory section, nonmajor governmental funds budgetary comparison schedules, enterprise funds budget and actual schedules, other supporting schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Dallas, Texas
December 29, 2017



City of Phoenix

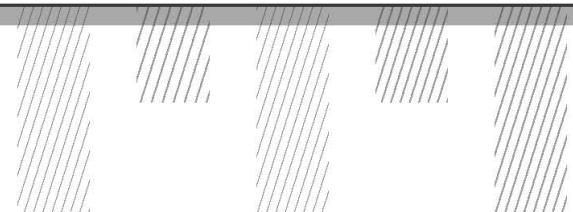


Financial Section



**Management's
Discussion and
Analysis**

(required supplementary
information)



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

As management of the City of Phoenix, Arizona, we offer the following narrative overview and analysis of the financial activities of the City of Phoenix, Arizona (the City) for the fiscal year ended June 30, 2017. Readers are encouraged to consider this overview and analysis in combination with the traditional transmittal letter that can be found on pages I - VI of this report.

FINANCIAL HIGHLIGHTS

- The Government-Wide Financial Statements report the City and its component units as a whole. In fiscal year 2017, excise and other tax revenues increased by 10.6 percent or \$107.0 million. The increase was primarily due to the full year effect of the Transportation 2050 tax which was approved by voters and implemented January 1, 2016 as well as the first property tax rate increase for the City in over twenty years. Additionally, revenues increased in grants and contributions due to increases in federal grant revenues for bus purchases and water developer contributions.
- Net pension liability increased by 13.3 percent or \$523.9 million, primarily due to the public safety employees pension reform lawsuit. On November 10, 2016, the Arizona Supreme Court upheld a lower court ruling that provisions of SB 1609 which increased employee contribution rates and curtailed certain benefit increases were unconstitutional.
- On the Government-Wide Financial Statements, the City's total cash and investments of \$2.3 billion at June 30, 2017 may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.4 billion, an increase of \$198.7 million from last fiscal year. Approximately 34.1 percent of the total governmental fund balance amount, or \$486.1 million, is designated by the City as committed, assigned and unassigned. The remaining 65.9 percent or \$939.8 million is designated as non-spendable or restricted. See Note 3 on page 54 for a detailed description of fund balance classifications per GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the Basic Financial Statements themselves. Detail regarding the Basic Financial Statements follows.

1) Basic Financial Statements - Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City finances, in a manner similar to a private-sector business. They are presented in Exhibits A-1 and A-2 beginning on page 16 of this report. Summarized versions of these Exhibits are included in this MD&A and can be found on pages 6 and 9.

The *Statement of Net Position*, Exhibit A-1, presents information on all of the City assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the components as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the City financial position.

The *Statement of Activities*, Exhibit A-2, presents information showing how the City net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Activities divide the 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 cost through user fees and charges (*Business-Type Activities*). The Governmental Activities of the City include general government, criminal justice, public safety, transportation, community

enrichment, community development and environmental services. The Business-Type Activities of the City include aviation, Phoenix Convention Center, water services, wastewater services and solid waste. In addition, financial information is also presented for the City discretely presented component units, the Downtown Phoenix Hotel Corporation, the Phoenix Housing Finance Corporations, and the Phoenix Industrial Development Authority. See Note 1 on page 41 for further discussion on the financial reporting entity.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2017.

Net Position. As noted above, net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amount by which assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources, was \$5.2 billion at the close of the fiscal year.

The largest portion of the City's net position, \$5.8 billion, reflects its net investment in capital assets, e.g., land, buildings, improvements, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The following table summarizes Exhibit A-1, the detailed Statement of Net Position.

**City of Phoenix
Net Position
as of June 30
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,709,209	\$ 2,467,216	\$ 2,411,132	\$ 2,414,654	\$ 5,120,341	\$ 4,881,870
Capital assets	4,843,442	4,829,284	6,867,490	6,805,879	11,710,932	11,635,163
Total assets	<u>7,552,651</u>	<u>7,296,500</u>	<u>9,278,622</u>	<u>9,220,533</u>	<u>16,831,273</u>	<u>16,517,033</u>
Deferred outflows of resources	683,444	644,482	99,492	138,956	782,936	783,438
Other liabilities	348,221	344,276	584,490	526,779	932,711	871,055
Long-term liabilities outstanding	6,409,267	5,891,225	4,837,888	5,028,582	11,247,155	10,919,807
Total liabilities	<u>6,757,488</u>	<u>6,235,501</u>	<u>5,422,378</u>	<u>5,555,361</u>	<u>12,179,866</u>	<u>11,790,862</u>
Deferred inflows of resources	157,149	237,874	38,142	49,122	195,291	286,996
Net position:						
Net investment in capital assets	2,809,418	2,788,275	2,972,041	2,803,361	5,781,459	5,591,636
Restricted	920,847	763,630	486,857	462,115	1,407,704	1,225,745
Unrestricted	(2,408,807)	(2,084,298)	458,696	489,530	(1,950,111)	(1,594,768)
Total net position	<u>\$ 1,321,458</u>	<u>\$ 1,467,607</u>	<u>\$ 3,917,594</u>	<u>\$ 3,755,006</u>	<u>\$ 5,239,052</u>	<u>\$ 5,222,613</u>

The *restricted* portion of the City's net position, \$1.4 billion, represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, development impact fees restricted to growth-related projects, other capital projects and required reserves. The long-term liability associated with pensions (\$4.5 billion) is included in the remaining balance, or the *unrestricted net position*, resulting in a deficit of \$2.0 billion. The City's balance of \$2.3 billion in cash and investments, as shown on Exhibit A-1, may be used to meet current and ongoing obligations.

At the end of the fiscal year, the City had positive balances in all three categories of net position (1-net investment in capital assets, 2-restricted and 3-unrestricted), for Business-Type Activities, but both the government as a whole and Governmental-Type Activities had a deficit balance in unrestricted.

Capital Assets. The City's capital assets for the fiscal year ended June 30, 2017, totaled \$11.7 billion, net of accumulated depreciation. This represents an increase from the prior fiscal year of \$75.8 million, an increase of \$14.2 million for Governmental Activities and an increase of \$61.6 million for Business-Type Activities. Major additions to capital assets during the fiscal year included the following:

- Aviation terminal 3 modification project valued at \$110.5 million.
- Various street and storm sewer projects throughout the City valued at \$98.0 million.
- New and replacement water and sewer mains throughout the City valued at \$58.8 million.
- Transit bus purchases valued at \$50.0 million.
- Construction and maintenance of Sky Harbor, Deer Valley and Goodyear Airports runways, taxiways and aprons valued at \$34.4 million.
- Water and wastewater distribution and collection facilities projects valued at \$29.6 million.
- Various water and wastewater treatment plant projects valued at \$16.8 million.
- Solid waste 27th avenue compost facility project valued at \$15.5 million.

The following table provides a listing of the capital assets, net of accumulated depreciation.

**City of Phoenix
Capital Assets
(net of depreciation)
as of June 30
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,283,588	\$ 1,288,059	\$ 703,934	\$ 704,019	\$ 1,987,522	\$ 1,992,078
Artwork	7,044	6,777	10,749	11,016	17,793	17,793
Construction-in-Progress	173,184	201,572	664,848	594,731	838,032	796,303
Buildings	819,843	858,380	1,751,792	1,701,775	2,571,635	2,560,155
Improvements	277,896	294,983	1,922,130	1,979,317	2,200,026	2,274,300
Infrastructure	1,952,280	1,901,808	1,135,303	1,123,099	3,087,583	3,024,907
Equipment	310,030	261,161	582,640	587,174	892,670	848,335
Intangible Assets	19,577	16,544	96,094	104,748	115,671	121,292
Total	\$ 4,843,442	\$ 4,829,284	\$ 6,867,490	\$ 6,805,879	\$ 11,710,932	\$ 11,635,163

Additional information regarding the City's capital assets can be found in Note 9 of the financial statements.

Long-term Liabilities. As shown in the schedule below, decreases in both general obligation bonds and municipal corporation obligations were offset by an increase in net pension liability resulting in an overall increase in long-term liabilities of 3.0%.

General obligation bonds are backed by the full faith and credit of the City. Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a City's full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a City's full cash net assessed valuation. The general obligation bonds long-term balance was \$1.3 billion net of discounts/premiums and the City's available debt margin at June 30, 2017 was \$695.5 million in the 6% capacity and \$2.0 billion in the 20% capacity. Additional information regarding the debt limitations and capacities can be found in Note 12 to the financial statements and also in Table 15 in the statistical section.

The City entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the "CIC") an affiliated nonprofit corporation, for the construction and acquisition of certain facilities and equipment which resulted in \$4.8 billion of municipal corporation obligations net of discounts/premiums. Under the terms of these agreements, the CIC issued bonds to finance the facilities and equipment, and the City agreed to make lease and purchase payments

sufficient to pay principal and interest on the outstanding obligations. The City also pays all expenses of operating and maintaining the facilities and equipment.

In fiscal year 2017 and in an effort to refinance and restructure existing bonds, the City issued \$294.5 million of general obligation refunding bonds. Also, the Civic Improvement Corporation issued \$718.7 million of refunding bonds and \$116.8 million in new debt. The \$116.8 million will be used mostly for new communication equipment, facility improvements, property and equipment and for acquiring, constructing, equipping and improving real and personal property for the City.

Overall net pension liability increased by 13.3 percent or \$523.9 million due to the public safety employees pension reform lawsuit. On November 10, 2016, the Arizona Supreme Court upheld a lower court ruling that provisions of SB 1609 which increased employee contribution rates and curtailed certain benefit increases were unconstitutional.

The following table illustrates the long-term obligations of the City.

**City of Phoenix
Long-Term Liabilities
as of June 30
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds, net	\$ 1,274,311	\$ 1,347,586	\$ 24,033	\$ 32,197	\$ 1,298,344	\$ 1,379,783
Revenue bonds/Bank loans	305,940	305,940	14,007	14,972	319,947	320,912
Municipal corporation obligations, net	634,329	586,842	4,121,571	4,277,618	4,755,900	4,864,460
Special assessment bonds	96	114	—	—	96	114
Insurance claims payable	154,208	155,872	—	—	154,208	155,872
Compensated absences	145,864	145,208	20,120	19,297	165,984	164,505
Landfill closure/Post-closure costs	—	—	62,338	62,757	62,338	62,757
Pollution remediation	10,879	14,593	2,200	2,375	13,079	16,968
Other	2,301	2,301	—	—	2,301	2,301
Capital lease	5,586	6,633	—	—	5,586	6,633
Net pension liability	3,875,753	3,326,136	593,619	619,366	4,469,372	3,945,502
Total	\$ 6,409,267	\$ 5,891,225	\$ 4,837,888	\$ 5,028,582	\$ 11,247,155	\$ 10,919,807

Further detail pertaining to the City's long-term obligations is available in Note 10 to the financial statements.

Changes in Net Position. Detail of the following summarized information can be found in Exhibit A-2, the Statement of Activities.

City of Phoenix
Changes in Net Position
For the year ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
<u>Revenues</u>						
Program revenues						
Charges for services	\$ 223,341	\$ 218,244	\$ 1,191,888	\$ 1,142,277	\$ 1,415,229	\$ 1,360,521
Grants and contributions						
Operating	396,866	355,750	—	—	396,866	355,750
Capital	96,058	94,379	204,212	138,162	300,270	232,541
General revenues						
Excise taxes	876,923	816,459	—	—	876,923	816,459
Other taxes	239,908	193,365	—	—	239,908	193,365
Grants/contributions not restricted to specific programs	406,084	376,017	—	—	406,084	376,017
Other	92,349	94,539	5,347	16,097	97,696	110,636
Total revenues	<u>2,331,529</u>	<u>2,148,753</u>	<u>1,401,447</u>	<u>1,296,536</u>	<u>3,732,976</u>	<u>3,445,289</u>
<u>Expenses</u>						
General government	98,541	111,801	—	—	98,541	111,801
Criminal justice	34,045	35,198	—	—	34,045	35,198
Public safety	1,347,829	1,025,401	—	—	1,347,829	1,025,401
Transportation	373,455	399,228	—	—	373,455	399,228
Community enrichment	276,991	570,183	—	—	276,991	570,183
Community development	218,463	200,762	—	—	218,463	200,762
Environmental services	32,960	49,050	—	—	32,960	49,050
Interest on long-term debt	77,073	84,893	—	—	77,073	84,893
Aviation	—	—	496,131	504,304	496,131	504,304
Phoenix Convention Center	—	—	103,248	107,133	103,248	107,133
Water services	—	—	333,706	359,703	333,706	359,703
Wastewater services	—	—	177,185	170,440	177,185	170,440
Solid waste	—	—	146,910	141,129	146,910	141,129
Total expenses	<u>2,459,357</u>	<u>2,476,516</u>	<u>1,257,180</u>	<u>1,282,709</u>	<u>3,716,537</u>	<u>3,759,225</u>
Increase (Decrease) in net position before transfers	(127,828)	(327,763)	144,267	13,827	16,439	(313,936)
Transfers	(18,321)	(24,631)	18,321	24,631	—	—
Increase (Decrease) in net position	(146,149)	(352,394)	162,588	38,458	16,439	(313,936)
Net Position - July 1	1,467,607	1,792,569	3,755,006	3,743,980	5,222,613	5,536,549
Effect of Change in Accounting Policy	—	27,432	—	(27,432)	—	—
Net Position - July 1, as restated	<u>1,467,607</u>	<u>1,820,001</u>	<u>3,755,006</u>	<u>3,716,548</u>	<u>5,222,613</u>	<u>5,536,549</u>
Net Position - June 30	<u>\$ 1,321,458</u>	<u>\$ 1,467,607</u>	<u>\$ 3,917,594</u>	<u>\$ 3,755,006</u>	<u>\$ 5,239,052</u>	<u>\$ 5,222,613</u>

During fiscal year 2016, responsibility for the Arizona Science Center moved from the Phoenix Convention Center to the Parks Department. The transfer of the associated assets was shown as an Effect of Change in Accounting Policy.

In fiscal year 2016, net position of the Governmental Activities decreased by \$325.0 million. The \$293.2 million decrease in community enrichment expenses was the result of the City entering into a bank loan in fiscal year 2016 to refinance the Downtown Phoenix Hotel Corporation Senior and Subordinate Hotel Revenue Bonds, Series 2005A, 2005B, and 2005C (Taxable).

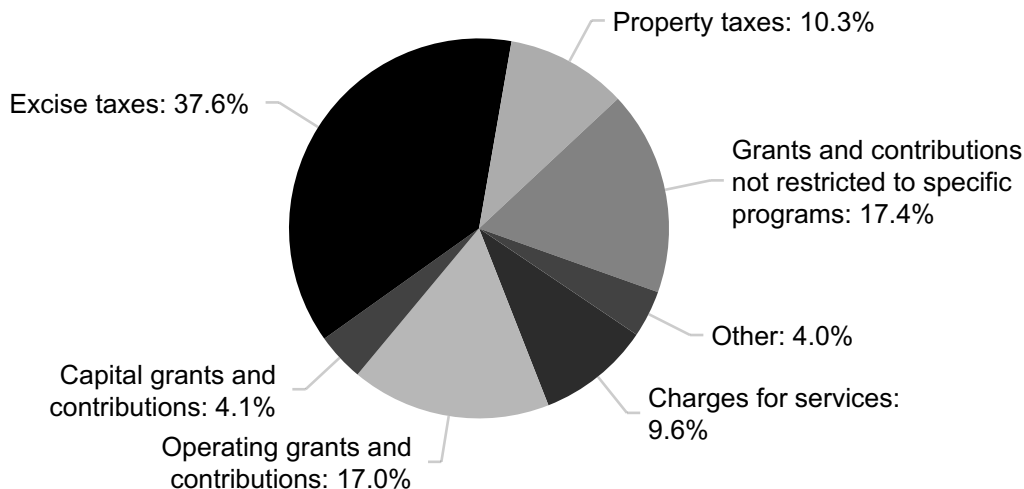
In fiscal year 2017, net position of the Governmental Activities decreased by \$146.1 million. Revenues from excise and other taxes increased by 10.6 percent or \$107.0 million. The increase was primarily due to the full year effect of

the Transportation 2050 tax which was implemented January 1, 2016 and the first property tax rate increase for the City in over twenty years. This was offset by an increase in public safety expenses of \$322.4 million resulting primarily from the increase in the unfunded liability of the public safety personnel retirement system.

Due to an increase in net position of the Business-Type Activities by \$162.6 million, primarily driven by capital grants and contributions revenue, total government net position increased by \$16.4 million.

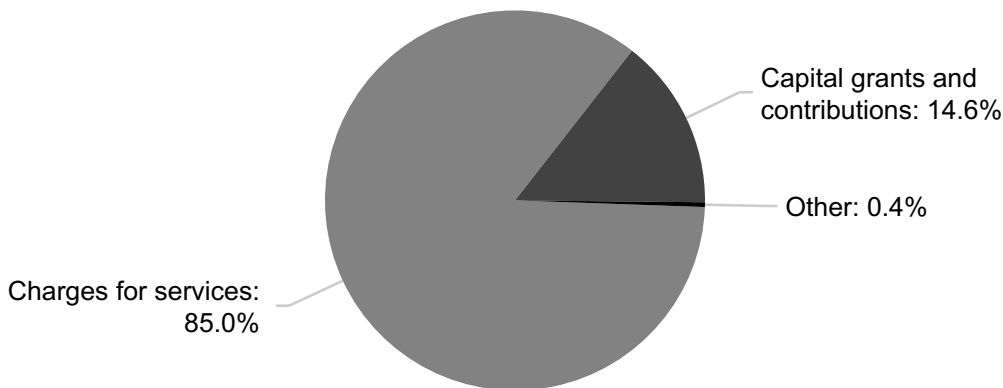
The sources of the revenues shown previously are portrayed in the following charts by percentage for the Governmental Activities and then the Business-Type Activities.

Revenues by Source - Governmental Activities Fiscal Year Ended June 30, 2017



As shown above, excise taxes, which include City sales and franchise taxes, are the largest source of revenue for the Governmental Activities comprising 37.6 percent of the total. Additional information about tax revenues is presented in Table 5 of the Statistical Section.

Revenues by Source - Business Type Activities Fiscal Year Ended June 30, 2017



As shown in this chart, charges for services account for the majority of the Business-Type Activities revenues, which is to be expected for these types of activities.

Basic Financial Statements - Fund Financial Statements

The Fund Financial Statements are presented in Exhibits B-1 through B-14 beginning on page 22 of this report. 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 activities. All funds of the City can be divided into three categories: Governmental Funds (Exhibits B-1 through B-9), Enterprise Funds (Exhibits B-10 through B-12) and Fiduciary Funds (Exhibits B-13 and B-14).

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, which are on a full accrual basis, Governmental Fund Financial Statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year, which is the modified accrual basis of accounting. Both the Governmental Funds Balance Sheet (Exhibit B-1) and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B-3) provide a reconciliation (Exhibits B-2 and B-4, respectively) to the *Governmental Activities* portion of the Government-Wide Financial Statements.

The City maintains twenty-four individual Governmental Funds. Although for budgetary purposes, revenue and expenditures related to Golf activities are shown in a separate special revenue fund, starting in fiscal year 2017, in accordance with GAAP, the Golf Courses Fund is included in the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Transit Special Revenue Fund, and the General Obligation/Secondary Property Tax Debt Service Fund which are considered to be major funds under Governmental Accounting Standards Board (GASB) Statement No. 34. Data from the other twenty-one Governmental Funds are combined into a single, aggregated presentation as Non-major Governmental Funds. Individual fund data for each of these non-major Governmental Funds is found in Exhibits C-1 and C-2.

The City adopts an annual appropriated budget for all City funds. A Budgetary Comparison Statement has been provided for the General Fund (Exhibit B-5) and the budgetary components of the Transit Special Revenue Fund (Exhibits B-6 through B-9) to demonstrate compliance with this budget.

Enterprise Funds. *Enterprise Funds* are a type of proprietary fund, and are the only type of proprietary fund currently maintained by the City. Enterprise Funds are used to report the same functions presented as *Business-Type Activities* in the Government-Wide Financial Statements. Enterprise Funds are used to account for the operation of Sky Harbor International Airport and two regional airports, Phoenix Convention Center, the water system, the wastewater system and solid waste disposal.

Enterprise Fund Financial Statements provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Enterprise Fund Financial Statements (Exhibits B-10 through B-12 beginning on page 33) provide separate information for each of the five Enterprise Funds noted above as all are considered to be major funds of the City.

Fund Financial Statement Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related budgetary and legal requirements. The following is a brief discussion of financial highlights from the Fund Financial Statements.

Governmental Funds. The focus of the Governmental Fund Financial Statements (Exhibits B-1 through B-9 beginning on page 22) is to provide information on near-term inflows, outflows and balances of spendable resources (modified accrual basis). All major Governmental Funds are presented separately on these financial statements, while the non-major funds are combined into a single column. Combining statements for the nonmajor funds can be found in Exhibits C-1 and C-2.

The following table summarizes information found in Exhibits B-1 and B-3.

City of Phoenix
Changes in Governmental Fund Balances
Fiscal Year Ended June 30, 2017
(in thousands)

	Fund Balances June 30, 2016	Net Change in Fund Balances	Fund Balances June 30, 2017
General Fund	\$ 351,487	\$ 4,465	\$ 355,952
Transit Special Revenue Fund	287,850	(529)	287,321
G.O./Secondary Property Tax	110,282	(29,181)	81,101
Nonmajor Governmental	477,530	223,975	701,505
Total	\$ 1,227,149	\$ 198,730	\$ 1,425,879
Total Nonspendable	18,884	57	18,941
Spendable - Restricted	763,630	157,217	920,847
Spendable - Committed, Assigned, Unassigned	444,635	41,456	486,091
Total Governmental Fund Balances	\$ 1,227,149	\$ 198,730	\$ 1,425,879

Note: See Exhibit B-1 on page 22 and Note 3 on page 54 for detailed information on fund balances.

As shown in the above table, at the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.4 billion, an increase of \$198.7 million from last fiscal year. Of the total governmental funds combined ending balances, approximately 98.7 percent of this amount, or \$1.4 billion, constitutes *total spendable balance*. Of the spendable amount, there is \$486.1 million available at the City's discretion and has been categorized as committed, assigned or unassigned. The remaining 65.9 percent or \$939.8 million is designated as non-spendable or restricted. Examples of fund balance restrictions include: Public Transit Operations, Debt Service and Road Maintenance and Construction. Non-spendable funds include inventory and prepaid items. See Note 3 on page 54 for a detailed description of fund balance classifications per GASB Statement No. 54.

The General Fund is the main operating fund of the City and accounts for many of the major functions of the government including general government, criminal justice, public safety, transportation, community enrichment, community development and environmental services. As presented in the table above, General Fund balance increased by \$4.5 million. This increase in fund balance was primarily due to increases in vehicle license, property, and excise taxes.

The Transit Special Revenue Fund accounts for the voter approved excise taxes dedicated to the construction, operation and maintenance of the public transit system. In 2017, the fund balance decreased by \$529 thousand or 0.2 percent.

The fund balance of the General Obligation/Secondary Property Tax Debt Service Fund decreased by \$29.2 million. This decrease was due to the planned use of the fund balance to pay for general obligation debt service. On April 28, 2017, House Bill 2011 ("HB 2011") was passed by the Arizona State Legislature which requires that the annual secondary property tax levy be net of amounts in the City's General Obligation Reserve Fund which exceed ten percent of the current fiscal year's general obligation bond debt service. HB 2011 provides that the City may reduce its Excess Reserves in fiscal years 2017-18 through 2022-23. HB 2011 will not become effective until August 9, 2017 and the City has not decided upon a definitive plan for when and in what amounts the Excess Reserves would be applied.

The fund balance for the nonmajor governmental funds increased by \$224.0 million. \$101.1 million of the increase was primarily due to municipal corporation obligation bond proceeds in the Municipal Buildings and Service Centers fund. Additionally, in the Highway User Revenue fund, highway user tax revenues increased and a transfer to repay Transit for street improvements ended in fiscal year 2016. The Development Services fund had an increase in impact fee revenue as well as a decrease in capital outlay. The Public Safety Enhancement fund increased due to an increase in excise tax revenue.

Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the Fund Financial Statements within the Basic Financial Statements, or as required supplementary information (RSI) after the Notes to the Financial Statements. The City has chosen to present the General Fund budgetary statement (Exhibit B-5), and the budgetary components of the Transit Special Revenue Fund (Exhibits B-6 through B-9) in the Basic Financial Statements.

The following table summarizes Exhibit B-5.

**City of Phoenix
General Fund
Budgetary Comparison Statement
Fiscal Year Ended June 30, 2017
(in thousands)**

	Final Amended Budget	Actuals	Variance Positive (Negative)
Revenues	\$ 324,197	\$ 327,003	\$ 2,806
Expenditures and Encumbrances	1,225,106	1,105,362	119,744
Deficiency of Revenues Under Expenditures and Encumbrances	(900,909)	(778,359)	122,550
Other Financing Sources (Uses)	836,445	810,309	(26,136)
Net Change in Fund Balance	<u>\$ (64,464)</u>	31,950	<u>\$ 96,414</u>
Fund Balance July 1		112,544	
Fund Balance June 30		<u>\$ 144,494</u>	

The total revenues in the General Fund were within 0.9 percent of the final amended budget and total expenditures were less than the final amended budget. The final amended general fund budget projected fiscal year expenditures of \$1.2 billion includes \$83.1 million of contingency. The actual general fund budgetary expenditures for the fiscal year ended June 30, 2017, were \$1.1 billion which is \$119.7 million less than the amended budget (see Exhibit B-5). The actual general fund expenditures reflect department efficiencies, service cuts and controlling costs during the fiscal year.

Enterprise Funds. The Enterprise Fund Financial Statements (Exhibits B-10 through B-12) are prepared and presented using the same accounting basis and measurement focus as the Government-Wide Financial Statements, but in more detail. The following table summarizes Exhibits B-10 and B-11.

**City of Phoenix
Changes in Enterprise Fund Net Position
Fiscal Year Ended June 30, 2017
(in thousands)**

	Net Position (Deficit) July 1, 2016	Change in Net Position (Deficit)	Net Position (Deficit) June 30, 2017
Aviation	\$ 1,645,405	\$ 20,036	\$ 1,665,441
Phoenix Convention Center	(28,613)	(13,386)	(41,999)
Water System	1,291,894	94,601	1,386,495
Wastewater	856,972	59,050	916,022
Solid Waste	(10,652)	2,287	(8,365)
Total	<u>\$ 3,755,006</u>	<u>\$ 162,588</u>	<u>\$ 3,917,594</u>

As shown in the table, Net Position for the Enterprise Funds increased in total by \$162.6 million during the fiscal year. Aviation, Water System, Wastewater and Solid Waste ended the year with increases totaling \$176.0 million. The

increases were due to increased revenues including capital contributions combined with continued efficiency efforts and debt restructuring. The deficit for the Phoenix Convention Center increased by \$13.4 million. This deficit is driven by the timing difference between depreciation expense on the north and west building expansion, principal payments for the related debt, and pension expense. As the City increases the principal payments in accordance with the debt service schedules and the depreciation remains constant, the deficit balance will be eliminated. The Phoenix Convention Center currently has a positive cash flow and is expected to generate enough cash to meet future debt service payments and operating requirements.

2) Basic Financial Statements - Notes to the Financial Statements

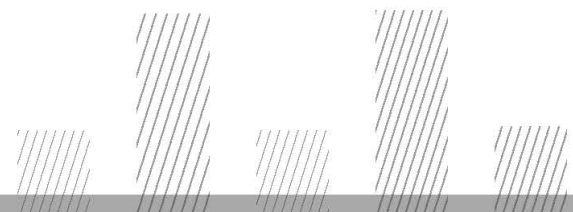
The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the Basic Financial Statements can be found beginning on page 41 of this report. Additionally, governments are required to disclose certain information about employee pension funds. The City has provided this information in Note 20 to the financial statements and as required supplemental information.

ECONOMIC FACTORS

- The 1990 census recorded Phoenix's population at 983,403 and the 2010 census recorded Phoenix's population at 1,447,128 which is a 47.2% increase. As of June 30, 2017, the City encompasses 519.5 square miles and has an estimated population of 1,579,253.
- The Phoenix area unemployment rate has generally been lower than the rate for the U.S. since 2009. As of September 2017, the unemployment rate for the Phoenix area was 3.8% and the U.S. was 4.2%.
- The fiscal year 2017-18 assessed valuation increased 6.7% to \$11.72 billion. On July 6, 2017 the Phoenix City Council voted to decrease the City total property tax rate (primary and secondary) to \$2.16 from \$2.17 per \$100 assessed valuation.
- Data produced by the National Association of Realtors indicates that the median sales price for an existing single-family home in Greater Phoenix increased 24.6% from 2014 to the second quarter of 2017 as compared to a 22.3% increase nationwide for the same time period.
- According to the Greater Phoenix Blue Chip Economic Forecast, retail sales in the Phoenix area which declined 0.7% in 2010, grew by an average of 7.8% per year from 2011 through 2015 and grew 3.7% in 2016. This growth was supported by gains in personal income averaging 4.8% from 2011 through 2016. The Greater Phoenix Blue Chip Economic Forecast estimates increases in retail sales of 5.4% in 2017 and 5.8% in 2018.

REQUESTS FOR FINANCIAL INFORMATION

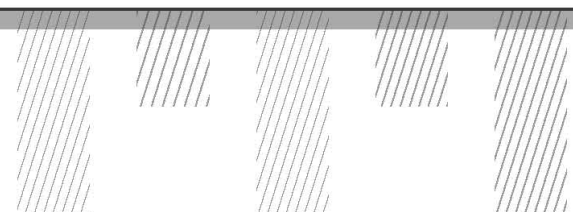
This financial report is designed to provide a general overview of the City of Phoenix' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, City of Phoenix, Calvin C. Goode Municipal Building, Ninth Floor, 251 W. Washington, Phoenix, Arizona, 85003.



Financial Section



**Basic Financial
Statements -
Government-Wide
Financial Statements**





City of Phoenix

City of Phoenix, Arizona
Government-Wide Financial Statements
Statement of Net Position
June 30, 2017
(in thousands)

Exhibit A-1

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Downtown Phoenix Hotel Corporation	Phoenix Housing Finance Corporations	Phoenix Industrial Development Authority
ASSETS						
Cash and Cash Equivalents	\$ 312,601	\$ 154,241	\$ 466,842	\$ 5,231	\$ 3,695	\$ 19,965
Cash Deposits	1,419	326	1,745	—	5,894	1
Cash and Securities with Fiscal Agents/Trustees	192,759	—	192,759	—	152	—
Investments	979,859	641,451	1,621,310	—	—	—
Receivables, Net of Allowances	274,859	123,111	397,970	1,722	9,578	419
Prepaid Items	4,935	4,688	9,623	1,282	145	25
Inventories	14,006	30,636	44,642	319	—	—
Restricted Assets	—	882,715	882,715	31,251	—	—
Investment in Joint Use Agreements	927,666	573,723	1,501,389	—	—	—
Other Postemployment Benefits Asset	1,105	241	1,346	—	—	—
Other Noncurrent Assets	—	—	—	108	—	8,463
Capital Assets						
Non-depreciable	1,979,353	1,379,531	3,358,884	95	27,876	—
Depreciable, net	2,864,089	5,487,959	8,352,048	218,667	14,921	—
Total Assets	<u>7,552,651</u>	<u>9,278,622</u>	<u>16,831,273</u>	<u>258,675</u>	<u>62,261</u>	<u>28,873</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	29,156	40,359	69,515	—	—	—
Pension Related	654,288	59,133	713,421	—	—	—
Total Deferred Outflows of Resources	<u>683,444</u>	<u>99,492</u>	<u>782,936</u>	<u>—</u>	<u>—</u>	<u>—</u>

The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Government-Wide Financial Statements
Statement of Net Position
June 30, 2017
(in thousands)

Exhibit A-1
(Continued)

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Downtown Phoenix Hotel Corporation	Phoenix Housing Finance Corporations	Phoenix Industrial Development Authority
LIABILITIES						
Accounts Payable	92,808	67,993	160,801	3,350	3,036	603
Trust Liabilities and Deposits	44,597	4,094	48,691	1,063	191	—
Advance Payments	20,758	12,806	33,564	575	247	—
Liabilities Payable from Restricted Assets	—	241,255	241,255	6,777	58	—
Matured Bonds and Certificates Payable	149,190	158,270	307,460	—	—	—
Interest Payable	36,600	100,072	136,672	—	1,578	—
Hotel Loan Interest Payable	4,268	—	4,268	—	—	—
Noncurrent Liabilities						
Due Within One Year						
Insurance Claims Payable	46,498	—	46,498	—	—	—
Accrued Compensated Absences	17,951	2,693	20,644	—	—	—
Pollution Remediation	230	—	230	—	—	—
Accrued Landfill Closure and Postclosure Care Costs	—	2,592	2,592	—	—	—
General Obligation Bonds	49,185	2,435	51,620	—	—	—
Revenue Bonds/Bank Loans	—	993	993	—	—	—
Municipal Corporation Obligations	84,580	158,714	243,294	—	—	—
Special Assessment Bonds	19	—	19	—	—	—
Capital Lease	1,070	—	1,070	—	—	—
Due in More Than One Year						
Insurance Claims Payable	107,710	—	107,710	—	—	—
Accrued Compensated Absences	127,913	17,427	145,340	—	—	—
Pollution Remediation	10,649	2,200	12,849	—	—	—
Accrued Landfill Closure and Postclosure Care Costs	—	59,746	59,746	—	—	—
General Obligation Bonds, net	1,225,126	21,598	1,246,724	—	—	—
Revenue Bonds/Bank Loans, net	305,940	13,014	318,954	—	—	—
Municipal Corporation Obligations, net	549,749	3,962,857	4,512,606	—	—	—
Special Assessment Bonds	77	—	77	—	—	—
Notes Payable	—	—	—	—	40,557	—
Utility/Water Contractual Agreements	2,301	—	2,301	—	—	—
Capital Lease	4,516	—	4,516	—	—	—
Net Pension Liability	3,875,753	593,619	4,469,372	—	—	—
Total Liabilities	6,757,488	5,422,378	12,179,866	11,765	45,667	603
DEFERRED INFLOWS OF RESOURCES						
Deferred Gain on Refunding	11,327	4,651	15,978	—	—	—
Service Concession Arrangement	10,414	—	10,414	—	—	—
Pension Related	135,408	33,491	168,899	—	—	—
Total Deferred Inflows of Resources	157,149	38,142	195,291	—	—	—
NET POSITION						
Net Investment in Capital Assets	2,809,418	2,972,041	5,781,459	218,762	(1,372)	—
Restricted For:						
Capital Projects	204,596	—	204,596	13,203	—	—
Debt Service	85,493	132,014	217,507	—	—	—
Passenger Facility Charges	—	125,311	125,311	—	—	—
Customer Facility Charges	—	100,442	100,442	—	—	—
Public Transit Operations	285,091	—	285,091	—	—	—
Other	345,667	129,090	474,757	—	—	—
Unrestricted (Deficit)	(2,408,807)	458,696	(1,950,111)	14,945	17,966	28,270
Total Net Position	\$ 1,321,458	\$ 3,917,594	\$ 5,239,052	\$ 246,910	\$ 16,594	\$ 28,270

**Government-Wide Financial Statements
Statement of Activities**

For the Fiscal Year Ended June 30, 2017

(in thousands)

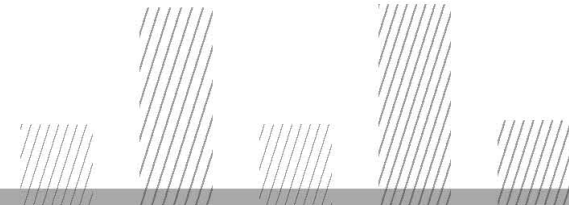
Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 98,541	\$ 19,784	\$ 853	\$ 4,742
Criminal Justice	34,045	14,583	—	—
Public Safety	1,347,829	69,671	15,103	3
Transportation	373,455	35,083	215,236	81,433
Community Enrichment	276,991	9,708	47,267	21
Community Development	218,463	74,490	117,572	9,572
Environmental Services	32,960	22	835	287
Interest on Long-Term Debt	77,073	—	—	—
Total Governmental Activities	<u>2,459,357</u>	<u>223,341</u>	<u>396,866</u>	<u>96,058</u>
Business-Type Activities				
Aviation	496,131	403,766	—	110,216
Phoenix Convention Center	103,248	40,568	—	—
Water Services	333,706	398,263	—	70,258
Wastewater Services	177,185	198,945	—	23,689
Solid Waste	146,910	150,346	—	49
Total Business-Type Activities	<u>1,257,180</u>	<u>1,191,888</u>	<u>—</u>	<u>204,212</u>
Total Primary Government	<u>\$ 3,716,537</u>	<u>\$ 1,415,229</u>	<u>\$ 396,866</u>	<u>\$ 300,270</u>
Component Units:				
Downtown Phoenix Hotel Corporation	<u>\$ 58,514</u>	<u>\$ 59,395</u>	<u>\$ —</u>	<u>\$ —</u>
Phoenix Housing Finance Corporations	<u>\$ 7,712</u>	<u>\$ 6,517</u>	<u>\$ —</u>	<u>\$ —</u>
Phoenix Industrial Development Authority	<u>\$ 2,814</u>	<u>\$ 5,364</u>	<u>\$ —</u>	<u>\$ —</u>
General Revenues				
Taxes				
Excise Taxes				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Debt Service				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings, Net				
Miscellaneous				
Contribution from City of Phoenix				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Position (Deficit)				
Net Position - July 1				
Net Position - June 30				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Downtown Phoenix Hotel Corporation	Phoenix Housing Finance Corporations	Phoenix Industrial Development Authority	
\$ (73,162)	\$ —	\$ (73,162)				
(19,462)	—	(19,462)				
(1,263,052)	—	(1,263,052)				
(41,703)	—	(41,703)				
(219,995)	—	(219,995)				
(16,829)	—	(16,829)				
(31,816)	—	(31,816)				
(77,073)	—	(77,073)				
<u>(1,743,092)</u>	<u>—</u>	<u>(1,743,092)</u>				
	17,851	17,851				
	(62,680)	(62,680)				
	134,815	134,815				
	45,449	45,449				
	3,485	3,485				
	<u>138,920</u>	<u>138,920</u>				
<u>(1,743,092)</u>	<u>138,920</u>	<u>(1,604,172)</u>				
			\$ 881			
				\$ (1,195)		
					\$ 2,550	
876,923	—	876,923	—	—	—	—
148,297	—	148,297	—	—	—	—
91,611	—	91,611	—	—	—	—
406,084	—	406,084	—	—	—	—
6,355	5,347	11,702	79	3,243	204	204
85,994	—	85,994	—	—	960	960
—	—	—	—	10	—	—
(18,321)	18,321	—	—	—	—	—
<u>1,596,943</u>	<u>23,668</u>	<u>1,620,611</u>	<u>79</u>	<u>3,253</u>	<u>1,164</u>	<u>1,164</u>
(146,149)	162,588	16,439	960	2,058	3,714	3,714
1,467,607	3,755,006	5,222,613	245,950	14,536	24,556	24,556
<u>\$ 1,321,458</u>	<u>\$ 3,917,594</u>	<u>\$ 5,239,052</u>	<u>\$ 246,910</u>	<u>\$ 16,594</u>	<u>\$ 28,270</u>	<u>\$ 28,270</u>



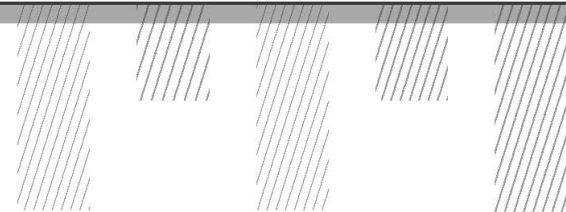
City of Phoenix



Financial Section



**Basic Financial
Statements –
Fund Financial
Statements**





City of Phoenix

City of Phoenix, Arizona
Fund Financial Statements
Governmental Funds
Balance Sheet

Exhibit B-1

June 30, 2017

(in thousands)

	General	Transit Special Revenue	General Obligation/Secondary Property Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 55,189	\$ 57,826	\$ —	\$ 199,586	\$ 312,601
Cash Deposits	1,092	—	—	327	1,419
Cash and Securities with Fiscal Agents/Trustees	—	—	96,384	96,375	192,759
Investments	161,356	230,812	79,462	508,229	979,859
Due from Other Funds	—	3,959	—	10,482	14,441
Receivables, Net of Allowance					
Accounts Receivable	22,282	2,745	—	5,313	30,340
Taxes Receivable	122,220	597	1,247	654	124,718
Delinquent Taxes Receivable	2,576	—	1,935	—	4,511
Intergovernmental	26,898	11,509	—	43,605	82,012
Accrued Interest	34	—	392	101	527
Notes Receivable	—	—	—	32,751	32,751
Prepaid Items	—	614	—	4,321	4,935
Inventories	13,706	300	—	—	14,006
Total Assets	<u>\$ 405,353</u>	<u>\$ 308,362</u>	<u>\$ 179,420</u>	<u>\$ 901,744</u>	<u>\$ 1,794,879</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	—	—	—	—	—
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ —	\$ —	\$ —	\$ 14,441	\$ 14,441
Accounts Payable	36,389	21,011	—	35,408	92,808
Insurance Claims Payable	—	—	—	—	—
Trust Liabilities and Deposits	7,306	30	—	37,261	44,597
Matured Bonds Payable	—	—	70,300	78,890	149,190
Interest Payable	—	—	26,084	10,516	36,600
Hotel Loan Interest Payable	—	—	—	4,268	4,268
Advance Payments	3,130	—	—	19,455	22,585
Total Liabilities	<u>46,825</u>	<u>21,041</u>	<u>96,384</u>	<u>200,239</u>	<u>364,489</u>
Deferred Inflows of Resources					
Delinquent Property Taxes	2,576	—	1,935	—	4,511
Total Deferred Inflows of Resources	<u>2,576</u>	<u>—</u>	<u>1,935</u>	<u>—</u>	<u>4,511</u>
Fund Balances					
Non-Spendable					
Inventories	13,706	300	—	—	14,006
Prepaid Items	—	614	—	4,321	4,935
Spendable					
Restricted	49,024	285,091	81,101	505,631	920,847
Committed	—	—	—	55,304	55,304
Assigned	51,510	1,316	—	151,830	204,656
Unassigned	241,712	—	—	(15,581)	226,131
Total Fund Balances	<u>355,952</u>	<u>287,321</u>	<u>81,101</u>	<u>701,505</u>	<u>1,425,879</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 405,353</u>	<u>\$ 308,362</u>	<u>\$ 179,420</u>	<u>\$ 901,744</u>	<u>\$ 1,794,879</u>

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

(in thousands)

Fund balances - total governmental funds balance sheet	\$	1,425,879
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	7,122,414	
Accumulated depreciation	<u>(2,278,972)</u>	4,843,442
The investment in joint use agreements are not a financial resource and, therefore, are not reported in the funds.		
Valley Metro Rail Inc.	870,181	
Regional Wireless Cooperative	<u>57,485</u>	927,666
The OPEB asset reported in governmental activities is not a financial resource and, therefore, is not reported in the funds.		
		1,105
Advance payments and delinquent property taxes reported in governmental activities are not available to pay for current period expenditures and, therefore, are not recognized in the funds.		
		6,338
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in or excluded from the funds.		
Deferred outflows of resources from the refunding of bonds.	29,156	
Deferred outflows of resources from pensions.	<u>654,288</u>	683,444
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Governmental bonds payable	(2,214,676)	
Pollution remediation	(10,879)	
Compensated absences	(145,864)	
Insurance claims payable	(154,208)	
Water repayment agreements	(2,301)	
Capital lease	(5,586)	
Net pension liability	<u>(3,875,753)</u>	(6,409,267)
Deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the funds.		
Deferred inflows of resources from the refunding of bonds.	(11,327)	
Deferred inflows of resources from service concession arrangement.	(10,414)	
Deferred inflows of resources from pensions.	(135,408)	
		<u>(157,149)</u>
Net position of governmental activities - statement of net position	\$	<u><u>1,321,458</u></u>

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements
Governmental Funds**
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2017

(in thousands)

	General	Transit Special Revenue	General Obligation/ Secondary Property Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
City Taxes	\$ 639,057	\$ 203,201	\$ 91,021	\$ 182,798	\$ 1,116,077
Licenses and Permits	18,946	—	—	329	19,275
Intergovernmental	403,113	89,153	4,737	388,969	885,972
Charges for Services	70,037	32,791	—	80,791	183,619
Fines and Forfeitures	11,216	—	—	69	11,285
Parks and Recreation	—	—	—	1,865	1,865
Special Assessments	—	—	—	14	14
Investment Income					
Net Change in Fair Value of Investments	(1,791)	(1,753)	(320)	(2,535)	(6,399)
Interest	2,939	4,749	820	4,246	12,754
Dwelling Rentals	—	—	—	7,825	7,825
Other	19,718	13,699	—	52,605	86,022
Total Revenues	1,163,235	341,840	96,258	716,976	2,318,309
EXPENDITURES					
Current Operating					
General Government	66,316	—	—	4,857	71,173
Criminal Justice	31,591	—	—	2,293	33,884
Public Safety	762,930	—	—	134,660	897,590
Transportation	11,082	200,991	—	54,672	266,745
Community Enrichment	162,274	—	—	54,036	216,310
Community Development	25,384	—	—	168,516	193,900
Environmental Services	10,084	—	—	2,755	12,839
Capital Outlay	13,221	80,863	—	209,314	303,398
Debt Service					
Principal	—	—	70,300	78,908	149,208
Interest	—	—	55,665	33,375	89,040
Bond Issuance Costs	—	—	1,811	515	2,326
Arbitrage Rebate and Fiscal Agent Fees	—	—	—	15	15
Capital Lease	1,192	—	—	—	1,192
Total Expenditures	1,084,074	281,854	127,776	743,916	2,237,620
Excess (Deficiency) of Revenues Over Expenditures	79,161	59,986	(31,518)	(26,940)	80,689
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	32,452	510	—	133,568	166,530
Transfers to Other Funds	(107,148)	(61,025)	—	(16,678)	(184,851)
Issuance of Debt					
Premium on General Obligation and Revenue Bonds	—	—	67,930	—	67,930
Municipal Corporation Obligations	—	—	—	116,835	116,835
Premium on Municipal Corporation Obligations	—	—	—	28,978	28,978
Refunding Bonds	—	—	289,090	73,495	362,585
Deposit to Refunding Escrow	—	—	(354,683)	(85,283)	(439,966)
Total Other Financing Sources and (Uses)	(74,696)	(60,515)	2,337	250,915	118,041
Net Change in Fund Balances	4,465	(529)	(29,181)	223,975	198,730
FUND BALANCES, JULY 1	351,487	287,850	110,282	477,530	1,227,149
FUND BALANCES, JUNE 30	\$ 355,952	\$ 287,321	\$ 81,101	\$ 701,505	\$ 1,425,879

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

Governmental Funds

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

Net change in fund balances - total governmental funds	\$	198,730
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Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which capital acquisitions (\$191,217) plus the increase in the equity share of the joint venture (\$40,510) exceeded depreciation (\$181,616) and loss on disposals of capital assets (\$8,479) in the current period.		41,632
--	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,219
--	--	--------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond activity including refundings, net		12,846
Amortization of bond premium/discount		14,454

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

Compensated absences		(656)
Insurance claims		1,025
Capital lease		1,047
Other postemployment benefit (OPEB) asset		(39)
Pollution remediation		3,714
Pensions		(432,121)

Change in net position of governmental activities - statement of activities	\$	<u>(146,149)</u>
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The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Fund Financial Statements
General Fund
Budgetary Comparison Statement
For the Fiscal Year Ended June 30, 2017
(in thousands)

Exhibit B-5

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
City Taxes	\$ 146,741	\$ 146,741	\$ 148,132	\$ 1,391
Contributions/Donations	—	—	2	2
Licenses and Permits	14,910	14,910	16,067	1,157
Intergovernmental	62,749	62,749	63,767	1,018
Charges for Services	67,587	67,587	69,093	1,506
Fines and Forfeitures	12,572	12,572	10,737	(1,835)
Interest	3,500	3,500	4,094	594
Miscellaneous	16,138	16,138	15,111	(1,027)
Total Revenues	324,197	324,197	327,003	2,806
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	114,998	114,998	106,754	8,244
Criminal Justice	33,206	33,206	31,595	1,611
Public Safety	772,160	780,060	764,482	15,578
Transportation	21,924	20,724	17,878	2,846
Community Enrichment	151,008	151,008	146,749	4,259
Community Development	21,554	21,554	19,709	1,845
Environmental Services	14,284	14,284	12,774	1,510
Capital Outlay	9,926	6,126	5,421	705
Contingency	83,146	83,146	—	83,146
Total Expenditures and Encumbrances	1,222,206	1,225,106	1,105,362	119,744
Deficiency of Revenues Over Expenditures and Encumbrances	(898,009)	(900,909)	(778,359)	122,550
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Staff and Administrative	35,438	35,438	36,769	1,331
In-Lieu Property Taxes	21,602	21,602	24,824	3,222
Excise Taxes and Other	779,268	779,268	747,999	(31,269)
Capital Projects Fund	2,600	2,600	2,600	—
Enterprise Funds	—	—	1,165	1,165
Workers' Compensation Trust Fund	15,000	15,000	15,000	—
Transfers to Other Funds				
Other Restricted Funds	(17,463)	(17,463)	(18,009)	(546)
Miscellaneous	—	—	(3,729)	(3,729)
Recovery of Prior Years Expenditures	—	—	3,690	3,690
Total Other Financing Sources (Uses)	836,445	836,445	810,309	(26,136)
Net Change in Fund Balance	\$ (61,564)	\$ (64,464)	31,950	\$ 96,414
Fund Balance, July 1			112,544	
Fund Balance, June 30			\$ 144,494	

The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Budgetary Comparison Statement
Transit 2000 Special Revenue Fund

Exhibit B-6

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ —	\$ —	\$ 159	\$ 159
Interest	556	556	2,561	2,005
Miscellaneous	1,132	1,132	10	(1,122)
Total Revenues	1,688	1,688	2,730	1,042
EXPENDITURES AND ENCUMBRANCES				
Current Operating Transportation	141,722	141,722	125,731	15,991
Capital	220	220	4,130	(3,910)
Total Expenditures and Encumbrances	141,942	141,942	129,861	12,081
Deficiency of Revenues Over Expenditures and Encumbrances	(140,254)	(140,254)	(127,131)	13,123
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds				
General Fund				
Staff and Administrative	(725)	(725)	(752)	(27)
Capital Projects Fund	—	—	(5)	(5)
City Improvement Debt Service Fund	(23,022)	(23,022)	(46,332)	(23,310)
Infrastructure Repayment Agreement Trust	(183)	(183)	—	183
Federal Transit Grants Special Revenue Fund	(1,306)	(1,306)	—	1,306
Recovery of Prior Years Expenditures	2,000	2,000	312	(1,688)
Total Other Financing Sources (Uses)	(23,236)	(23,236)	(46,777)	(23,541)
Net Change in Fund Balance	\$ (163,490)	\$ (163,490)	\$ (173,908)	\$ (10,418)
Fund Balance, July 1			175,186	
Fund Balance, June 30			\$ 1,278	

The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Budgetary Comparison Statement
Transit - Other Agency Special Revenue Fund

Exhibit B-7

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 48,183	\$ 48,183	\$ 43,833	\$ (4,350)
Rentals	—	—	126	126
Interest	(44)	(44)	(93)	(49)
Total Revenues	48,139	48,139	43,866	(4,273)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Transportation	29,365	29,365	30,758	(1,393)
Capital	28,321	28,321	12,604	15,717
Total Expenditures and Encumbrances	57,686	57,686	43,362	14,324
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(9,547)	(9,547)	504	10,051
OTHER FINANCING USES				
Transfers to Other Funds				
Transit - Federal Transit Grants Special Revenue Fund	—	—	(24)	(24)
Recovery of Prior Years Expenditures	—	—	(468)	(468)
Total Other Financing Uses	—	—	(492)	(492)
Net Change in Fund Balance	<u>\$ (9,547)</u>	<u>\$ (9,547)</u>	\$ 12	<u>\$ 9,559</u>
Fund Balance, July 1			(14,001)	
Fund Balance, June 30			<u>\$ (13,989)</u>	

The accompanying notes are an integral part of these financial statements.

**Budgetary Comparison Statement
Transit - Federal Transit Grants Special Revenue Fund**

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 82,259	\$ 82,259	\$ 55,271	\$ (26,988)
Interest	182.00	182.00	1	1
Total Revenues	82,259	82,259	55,272	(26,987)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Transportation	10,721	10,721	11,302	(581)
Community Development	73	73	—	73
Capital	71,465	71,465	44,115	27,350
Total Expenditures and Encumbrances	82,259	82,259	55,417	26,842
Deficiency of Revenues Over Expenditures and Encumbrances	—	—	(145)	(145)
OTHER FINANCING SOURCES				
Transfers from Other Funds				
Transit - Other Agency Special Revenue Fund	—	—	24	24
Recovery of Prior Years Expenditures	—	—	122	122
Total Other Financing Sources	—	—	146	146
Net Change in Fund Balance	\$ —	\$ —	1	\$ 1
Fund Balance, July 1			—	
Fund Balance, June 30			\$ 1	

The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Budgetary Comparison Statement
Transportation Tax 2050 Special Revenue Fund

Exhibit B-9

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 51,252	\$ 51,252	\$ 42,163	\$ (9,089)
Rentals	26	26	59	33
Interest	1,668	1,668	2,116	448
Miscellaneous	1,805	1,805	4,114	2,309
Total Revenues	54,751	54,751	48,452	(6,299)
EXPENDITURES AND ENCUMBRANCES				
Current Operating Transportation	51,797	51,797	41,508	10,289
Capital	62,340	62,340	48,160	14,180
Contingency	15,000	15,000	—	15,000
Total Expenditures and Encumbrances	129,137	129,137	89,668	39,469
Deficiency of Revenues Over Expenditures and Encumbrances	(74,386)	(74,386)	(41,216)	33,170
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	211,782	211,782	202,842	(8,940)
Enterprise Funds	—	—	358	358
Other Restricted Special Revenue Fund	—	—	510	510
Transfers to Other Funds				
City Improvement Debt Service Fund	(38,028)	(38,028)	(14,675)	23,353
Infrastructure Repayment Agreement Trust	—	—	(14)	(14)
Recovery of Prior Years Expenditures	—	—	96	96
Total Other Financing Sources (Uses)	173,754	173,754	189,117	15,363
Net Change in Fund Balance	\$ 99,368	\$ 99,368	\$ 147,901	\$ 48,533
Fund Balance, July 1			106,857	
Fund Balance, June 30			\$ 254,758	



City of Phoenix

	Aviation	Phoenix Convention Center
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 69,970	\$ 7,403
Investments	295,482	33,653
Receivables, Net of Allowances	16,480	605
Prepaid Items	—	—
Cash Deposits	326	—
Inventories, at Average Cost	2,827	191
Total Unrestricted Current Assets	<u>385,085</u>	<u>41,852</u>
Restricted Assets		
Cash and Cash Equivalents	32,184	1,110
Cash Deposits	—	3,497
Cash and Securities with Fiscal Agents/Trustees	293,858	22,424
Investments	121,148	13,962
Receivables, Net of Allowances	25,550	4
Total Restricted Current Assets	<u>472,740</u>	<u>40,997</u>
Total Current Assets	<u>857,825</u>	<u>82,849</u>
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	2,743,506	655,621
Investment in Joint Use Agreement	—	—
OPEB Asset	70	17
Total Noncurrent Assets	<u>2,743,576</u>	<u>655,638</u>
Total Assets	<u>3,601,401</u>	<u>738,487</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Bonds	1,032	5,107
Pension Related	17,158	4,117
Total Deferred Outflows of Resources	<u>18,190</u>	<u>9,224</u>
LIABILITIES		
Current Liabilities Payable from Current Assets		
Accounts Payable	22,859	2,150
Trust Liabilities and Deposits	4,094	—
Advance Payments	12,793	—
Accrued Landfill Postclosure Care Costs	—	—
Current Portion of Accrued Compensated Absences	921	183
Total Current Liabilities Payable from Current Assets	<u>40,667</u>	<u>2,333</u>
Current Liabilities Payable from Restricted Assets		
Accounts Payable	45,596	—
Trust Liabilities and Deposits	—	3,447
Commercial Paper Notes Payable	180,000	—
Matured Bonds Payable	50,525	5,210
Interest Payable	36,372	17,053
Current Portion of General Obligation Bonds	—	—
Current Portion of Revenue Bonds/Bank Loans	—	—
Current Portion of Municipal Corporation Obligations	53,215	7,709
Accrued Landfill Closure Costs	—	—
Total Current Liabilities Payable from Restricted Assets	<u>365,708</u>	<u>33,419</u>
Total Current Liabilities	<u>406,375</u>	<u>35,752</u>
Noncurrent Liabilities		
General Obligation Bonds, net	8,045	—
Revenue Bonds/Bank Loans, net	—	—
Municipal Corporation Obligations, net	1,348,872	709,116
Pollution Remediation	2,200	—
Accrued Landfill Closure and Postclosure Care Costs	—	—
Accrued Compensated Absences	5,985	1,178
Net Pension Liability	172,238	41,332
Total Noncurrent Liabilities	<u>1,537,340</u>	<u>751,626</u>
Total Liabilities	<u>1,943,715</u>	<u>787,378</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding Bonds	718	—
Pension Related	9,717	2,332
Total Deferred Inflows of Resources	<u>10,435</u>	<u>2,332</u>
NET POSITION		
Net Investment in Capital Assets	1,103,164	(61,306)
Restricted for Debt Service	132,014	—
Restricted from Passenger Facility Charges	125,311	—
Restricted from Customer Facility Charges	100,442	—
Restricted from Enabling Legislation for Capital Projects	—	—
Unrestricted (Deficit)	204,510	19,307
Total Net Position (Deficit)	<u>\$ 1,665,441</u>	<u>\$ (41,999)</u>

The accompanying notes are an integral part of these financial statements.

Exhibit B-10
(Continued)

Water System	Wastewater	Solid Waste	Total
\$ 37,316	\$ 29,260	\$ 10,292	\$ 154,241
152,098	117,653	42,565	641,451
58,010	34,392	13,624	123,111
4,688	—	—	4,688
—	—	—	326
22,344	4,451	823	30,636
274,456	185,756	67,304	954,453
17,761	18,899	5,875	75,829
8,721	38	112	12,368
82,583	55,431	9,981	464,277
71,043	75,594	22,940	304,687
—	—	—	25,554
180,108	149,962	38,908	882,715
454,564	335,718	106,212	1,837,168
2,339,395	973,201	155,767	6,867,490
211,637	362,086	—	573,723
83	30	41	241
2,551,115	1,335,317	155,808	7,441,454
3,005,679	1,671,035	262,020	9,278,622
28,099	5,203	918	40,359
20,185	7,337	10,336	59,133
48,284	12,540	11,254	99,492
25,852	10,799	6,333	67,993
—	—	—	4,094
12	1	—	12,806
—	—	2,592	2,592
952	209	428	2,693
26,816	11,009	9,353	90,178
623	1,455	316	47,990
8,821	38	112	12,418
—	—	—	180,000
53,445	40,380	8,710	158,270
29,409	15,967	1,271	100,072
—	590	1,845	2,435
226	767	—	993
52,750	41,285	3,755	158,714
—	—	847	847
145,274	100,482	16,856	661,739
172,090	111,491	26,209	751,917
6,972	3,035	3,546	21,598
2,973	10,041	—	13,014
1,265,171	561,257	78,441	3,962,857
—	—	—	2,200
—	—	59,746	59,746
6,202	1,353	2,709	17,427
202,628	73,658	103,763	593,619
1,483,946	649,344	248,205	4,670,461
1,656,036	760,835	274,414	5,422,378
—	2,562	1,371	4,651
11,432	4,156	5,854	33,491
11,432	6,718	7,225	38,142
1,203,666	667,502	59,015	2,972,041
—	—	—	132,014
—	—	—	125,311
—	—	—	100,442
69,558	59,532	—	129,090
113,271	188,988	(67,380)	458,696
\$ 1,386,495	\$ 916,022	\$ (8,365)	\$ 3,917,594

Fund Financial Statements

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Aviation	Phoenix Convention Center
Operating Revenues		
Aeronautical Fees	\$ 154,209	\$ —
Sales	—	—
Rentals	107,129	10,904
Sewer Service Charges	—	—
Sanitation and Landfill Fees	—	—
Concessions	—	11,444
Other	95,080	18,220
Total Operating Revenues	<u>356,418</u>	<u>40,568</u>
Operating Expenses		
Administration and Engineering	—	27,109
Operation and Maintenance	251,641	12,996
Promotion	—	2,799
Depreciation and Amortization	165,826	24,371
Staff and Administrative	8,373	2,663
Environmental, Studies & Noise Program	959	—
Other	—	1,725
Total Operating Expenses	<u>426,799</u>	<u>71,663</u>
Operating Income (Loss)	<u>(70,381)</u>	<u>(31,095)</u>
Non-Operating Revenues (Expenses)		
Passenger Facility Charges	83,577	—
Rental Car Customer Facility Charges	47,348	—
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(4,180)	(426)
Interest on Investments	6,735	686
Interest	(67,915)	(31,575)
Equity Interest in Joint Use Agreement Operating Loss	—	—
Gain (Loss) on Disposal of Capital Assets	(1,417)	(10)
Total Non-Operating Revenues (Expenses)	<u>64,148</u>	<u>(31,325)</u>
Income (Loss) Before Contributions and Transfers	<u>(6,233)</u>	<u>(62,420)</u>
Capital Contributions	26,639	—
Transfers from Other Funds	—	49,051
Transfers to Other Funds	(370)	(17)
Change in Net Position (Deficit)	<u>20,036</u>	<u>(13,386)</u>
Net Position (Deficit), July 1	<u>1,645,405</u>	<u>(28,613)</u>
Net Position (Deficit), June 30	<u>\$ 1,665,441</u>	<u>\$ (41,999)</u>

The accompanying notes are an integral part of these financial statements.

Exhibit B-11
(Continued)

	Water System	Wastewater	Solid Waste	Total
\$	—	\$	—	\$ 154,209
	352,396	—	—	352,396
	—	—	—	118,033
	—	159,993	—	159,993
	—	—	137,462	137,462
	—	—	—	11,444
	45,867	38,952	12,552	210,671
	<u>398,263</u>	<u>198,945</u>	<u>150,014</u>	<u>1,144,208</u>
	31,357	19,374	32,550	110,390
	139,074	58,480	80,251	542,442
	—	—	—	2,799
	105,136	40,233	16,405	351,971
	7,574	3,705	6,901	29,216
	—	—	—	959
	—	—	8,008	9,733
	<u>283,141</u>	<u>121,792</u>	<u>144,115</u>	<u>1,047,510</u>
	<u>115,122</u>	<u>77,153</u>	<u>5,899</u>	<u>96,698</u>
	—	—	—	83,577
	—	—	—	47,348
	(2,530)	(1,973)	(832)	(9,941)
	3,667	3,036	1,164	15,288
	(37,183)	(20,124)	(2,795)	(159,592)
	(12,349)	(22,942)	—	(35,291)
	(1,033)	(12,327)	332	(14,455)
	<u>(49,428)</u>	<u>(54,330)</u>	<u>(2,131)</u>	<u>(73,066)</u>
	65,694	22,823	3,768	23,632
	70,258	23,689	49	120,635
	187	23,612	—	72,850
	(41,538)	(11,074)	(1,530)	(54,529)
	<u>94,601</u>	<u>59,050</u>	<u>2,287</u>	<u>162,588</u>
	<u>1,291,894</u>	<u>856,972</u>	<u>(10,652)</u>	<u>3,755,006</u>
\$	<u>1,386,495</u>	\$ <u>916,022</u>	\$ <u>(8,365)</u>	\$ <u>3,917,594</u>

City of Phoenix, Arizona
Fund Financial Statements
Enterprise Funds
Statement of Cash Flows

Exhibit B-12

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Aviation	Phoenix Convention Center
Cash Flows from Operating Activities		
Receipts from Customers	\$ 345,577	\$ 40,966
Payments to Suppliers	(177,494)	(25,809)
Payments to Employees	(77,115)	(19,280)
Payment of Staff and Administrative Expenses	(8,373)	(2,663)
Net Cash Provided (Used) by Operating Activities	82,595	(6,786)
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	—	49,051
Transfers to Other Funds	(370)	(17)
Net Cash Provided (Used) by Noncapital Financing Activities	(370)	49,034
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	50,000	—
Principal Paid on Capital Debt	(47,390)	(2,746)
Interest Paid on Capital Debt	(74,656)	(35,083)
Acquisition and Construction of Capital Assets	(167,484)	(2,075)
Proceeds from Sales of Capital Assets	313	—
Passenger Facility Charges	80,133	—
Customer Facility Charges	46,882	—
Capital Contributions	21,937	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(90,265)	(39,904)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(338,846)	(60,474)
Proceeds from Sale and Maturities of Investment Securities	338,766	60,375
Net Activity for Short-Term Investments	(5,284)	(488)
Interest on Investments	2,548	260
Net Cash Provided (Used) by Investing Activities	(2,816)	(327)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,856)	2,017
Cash and Cash Equivalents, July 1	407,194	32,417
Cash and Cash Equivalents, June 30	\$ 396,338	\$ 34,434
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating		
Operating Income (Loss)	\$ (70,381)	\$ (31,095)
Adjustments		
Depreciation and Amortization	165,826	24,371
Net Pension Liability	(8,549)	(3,337)
Deferred Outflows - Pension	17,029	4,330
Deferred Inflows - Pension	(3,665)	(974)
Change in Assets and Liabilities		
Receivables	(4,103)	(351)
Allowance for Doubtful Accounts	(1,320)	—
Prepaid Items	—	—
Inventories	(1,116)	17
OPEB Asset	(1)	—
Accounts Payable	(6,019)	(407)
Trust Liabilities and Deposits	835	748
Advance Payments	(6,252)	—
Pollution Remediation	(175)	—
Accrued Compensated Absences	486	(88)
Accrued Landfill Closure and Postclosure Care Costs	—	—
Net Cash Provided (Used) by Operating Activities	\$ 82,595	\$ (6,786)
Noncash Transactions Affecting Financial Position		
Contributions of Capital Assets	\$ —	\$ —
Amortization of Deferred Gains/Losses of Bond Refundings	27	560
Increase (Decrease) in Fair Value of Investments	(86)	3
Total Noncash Transactions Affecting Financial Position	\$ (59)	\$ 563
Cash and Cash Equivalents		
Unrestricted		
Cash and Cash Equivalents	\$ 69,970	\$ 7,403
Cash Deposits	326	—
Total Unrestricted	70,296	7,403
Restricted		
Cash and Cash Equivalents	32,184	1,110
Cash and Securities with Fiscal Agents/Trustees	293,858	22,424
Cash Deposits	—	3,497
Total Restricted	326,042	27,031
	\$ 396,338	\$ 34,434

The accompanying notes are an integral part of these financial statements.

Exhibit B-12
(Continued)

	Water System	Wastewater	Solid Waste	Total
\$	396,837 \$	190,892 \$	150,062 \$	1,124,334
	(87,515)	(49,846)	(68,144)	(408,808)
	(87,749)	(22,732)	(44,006)	(250,882)
	(7,574)	(3,705)	(6,901)	(29,216)
	213,999	114,609	31,011	435,428
	187	—	—	49,238
	(41,538)	(11,074)	(1,530)	(54,529)
	(41,351)	(11,074)	(1,530)	(5,291)
	2,355	1,666	446	54,467
	(50,024)	(44,930)	(9,335)	(154,425)
	(62,112)	(30,636)	(5,623)	(208,110)
	(102,649)	(38,082)	(33,362)	(343,652)
	212	12	537	1,074
	—	—	—	80,133
	—	—	—	46,882
	20,738	8,738	—	51,413
	(191,480)	(103,232)	(47,337)	(472,218)
	—	(7,985)	(515)	(407,820)
	—	7,985	376	407,502
	(2,506)	(5,774)	12,506	(1,546)
	1,137	1,063	332	5,340
	(1,369)	(4,711)	12,699	3,476
	(20,201)	(4,408)	(5,157)	(38,605)
	142,970	108,036	31,417	722,034
\$	122,769 \$	103,628 \$	26,260 \$	683,429
\$	115,122 \$	77,153 \$	5,899 \$	96,698
	105,136	40,233	16,405	351,971
	(12,483)	(2,297)	919	(25,747)
	20,492	7,026	9,112	57,989
	(4,490)	(1,466)	(1,758)	(12,353)
	(4,421)	(8,117)	156	(16,836)
	180	59	(111)	(1,192)
	(1,957)	—	—	(1,957)
	(6,334)	492	(17)	(6,958)
	(2)	(1)	1	(3)
	(348)	1,533	1,106	(4,135)
	2,815	3	2	4,403
	—	—	—	(6,252)
	—	—	—	(175)
	289	(9)	145	823
	—	—	(848)	(848)
\$	213,999 \$	114,609 \$	31,011 \$	435,428
\$	49,520 \$	14,950 \$	— \$	64,470
	2,038	744	(69)	3,300
	—	—	—	(83)
\$	51,558 \$	15,694 \$	(69) \$	67,687
\$	37,316 \$	29,260 \$	10,292 \$	154,241
	—	—	—	326
	37,316	29,260	10,292	154,567
	17,761	18,899	5,875	75,829
	82,583	55,431	9,981	464,277
	8,721	38	112	12,368
	109,065	74,368	15,968	552,474
\$	146,381 \$	103,628 \$	26,260 \$	707,041

City of Phoenix, Arizona
Fund Financial Statements
Fiduciary Funds

Exhibit B-13

Statement of Fiduciary Net Position

June 30, 2017
(in thousands)

	Pension and Other Employee Benefit Trusts	Agency Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 58,522	\$ 10,914
Investments		
Treasurer's Pooled Investments	9,694	43,655
Temporary Investments	90,569	—
Fixed Income	636,254	—
Domestic Equities	977,902	—
International Equities	734,710	—
Real Return	56,359	—
Absolute Return	265,674	—
Real Estate	312	—
Receivables		
Accounts Receivable	126,872	—
Contributions Receivable	7,447	—
Interest and Dividends	1,682	—
Prepaid Items	5,150	—
Total Assets	<u>2,971,147</u>	<u>54,569</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>
<u>LIABILITIES</u>		
Accounts Payable	274,986	—
Accrued Payroll Payable	—	54,569
Claims Payable	22,762	—
Total Liabilities	<u>297,748</u>	<u>54,569</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>
<u>NET POSITION</u>		
Restricted for pension and other employee benefits	<u>\$ 2,673,399</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Fund Financial Statements
Fiduciary Funds

Exhibit B-14

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Pension and Other Employee Benefit Trusts
<u>ADDITIONS</u>	
Contributions	
City of Phoenix	\$ 318,883
Employees	83,165
Inter-System Transfers	43
Other	12,269
Total Contributions	<u>414,360</u>
Investment Income	
From Investing Activities	
Net Increase in Fair Value of Investments	242,362
Interest	10,258
Dividends	22,277
Other	4,516
Investment Income	<u>279,413</u>
Less: Investment Expense	<u>10,029</u>
Net Investment Income	
from Investing Activities	<u>269,384</u>
Total Net Investment Income	<u>269,384</u>
Total Additions	<u>683,744</u>
<u>DEDUCTIONS</u>	
Benefit Payments	435,631
Refunds of Contributions	3,230
Inter-System Transfers	207
Other	12,967
Total Deductions	<u>452,035</u>
Net Increase	231,709
Net Position Restricted for Pension and Other Employee Benefits	
Beginning of Year, July 1	\$ 2,441,690
End of Year, June 30	<u>\$ 2,673,399</u>

The accompanying notes are an integral part of these financial statements.



City of Phoenix

Financial Section

Notes to the Financial Statements

The Notes to the Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements. An index to the Notes follows:

Note	Description
1	Summary of Significant Accounting Policies
2	Budget Basis of Accounting
3	Fund Balances
4	Property Tax
5	Cash and Investments
6	Receivables
7	Interfund Transactions
8	Restricted Assets and Liabilities Payable from Restricted Assets
9	Capital Assets
10	Long Term Obligations
11	Refunded, Refinanced and Defeased Obligations
12	Legal Debt Margin
13	Risk Management
14	Leases
15	Contractual and Other Commitments
16	Contingent Liabilities
17	Tax Abatements
18	Joint Use Agreements
19	Deferred Compensation and Defined Contribution Plans
20	Pension Plans
21	Other Postemployment Benefits
22	Subsequent Events

The City of Phoenix (the “City”) was incorporated on February 25, 1881. On October 11, 1913, voters ratified a City Charter providing for a Council-Manager form of government. The government of the City of Phoenix is operated by authority of its charter, as limited by the state legislature.

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City’s other significant accounting policies are described below:

a. Reporting Entity

The accompanying financial statements include the City and all of its component units, collectively referred to as “the financial reporting entity”. In accordance with GASB Statement No. 14 and GASB Statement No. 61, the component units discussed below have been included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

City of Phoenix Employees’ Retirement System (“COPERS”)

All full-time general employees participate in COPERS, which is governed by a nine-member Retirement Board (the “Board”). Four statutory Board members are members of City management. Three Board members are elected from and by the COPERS’ active members. One Board member is a citizen and one is a retiree. Tier 1 employees contribute 5%, Tier 2 and Tier 3 employees contribute a maximum 11.0% of their covered compensation, with the City funding all remaining costs based on actuarial valuations. COPERS is reported in the accompanying financial statements as an employee pension trust fiduciary fund. Separate financial statements for COPERS can be obtained through COPERS’ administrative office at 200 W. Washington Street, 10th Floor, Phoenix, Arizona, 85003 or on-line at <https://www.phoenix.gov/copers/pension-plan-reports>.

City of Phoenix Civic Improvement Corporation (“CIC”)

The CIC was organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The corporation is governed by a self-perpetuating board of directors, who are responsible for approving the corporation’s bond sales. Bond sales must also be ratified by the Mayor and City Council. Although the CIC is legally separate from the City, the corporation is reported as if it were part of the primary government, using the blending method, because its sole purpose is to finance and construct public facilities for the City. Separate financial statements for the CIC can be obtained from the City’s Finance Department, through the Financial Accounting and Reporting Division at 251 W. Washington Street, 9th floor, Phoenix, Arizona, 85003.

Phoenix Housing Finance Corporations (“PHFC”)

The PHFC are individual nonprofit corporations which were incorporated under the laws of the State of Arizona. The corporations were created to act as instrumentalities of the City to aid in the development and financing of various housing projects for low income persons. City management appoints the non-self-perpetuating Board of Directors and approves amendments to the Articles of Incorporation and Bylaws. Although the corporations are legally separate from the City, governmental accounting standards require the corporations to be reported as a discretely presented component unit of the City for financial reporting purposes because of the City’s accountability via the appointment of the board members. Separate financial statements for the corporations can be obtained from the City’s Finance Department, through the Financial Accounting and Reporting Division at 251 W. Washington Street, 9th floor, Phoenix, Arizona, 85003.

Downtown Phoenix Hotel Corporation (“DPHC”)

The DPHC is an Arizona nonprofit corporation duly organized and existing under the laws of the State of Arizona. The Corporation was formed in January, 2005, for the sole purpose of owning, acquiring, constructing, equipping, financing and taking any other actions that an Arizona nonprofit corporation may take with respect to a full-service downtown hotel. The City Council of the City of Phoenix appoints the corporation’s Board of Directors, approves the annual budget, and approves amendments to the Articles of Incorporation and Bylaws. Upon future dissolution of the corporation, remaining assets will revert to the City. Accordingly, the corporation is considered to be a governmental unit for financial reporting purposes. Although the corporation is legally separate from the City, governmental accounting standards require the corporation to be reported as a discretely presented component unit of the City for financial reporting purposes because of the City Council’s relationship to the corporation. Separate financial statements for the corporation can be obtained from the City’s Finance Department, through the Financial Accounting and Reporting Division at 251 W. Washington Street, 9th floor, Phoenix, Arizona, 85003.

Phoenix Industrial Development Authority (“Phoenix IDA”)

The Phoenix IDA is a nonprofit corporation designated a political subdivision of the State of Arizona. The Phoenix IDA was established on July 7, 1981 in order to exercise its broad statutory powers, including the power to issue conduit revenue bonds to finance “projects” as such term is defined by the Arizona Revised Statutes, §35-701(7). All bonds issued by Phoenix IDA are special, limited obligations of the Phoenix IDA, payable solely from revenues generated by the project being financed, and do not constitute debt of, a loan of, or credit by, the Phoenix IDA. The Phoenix IDA charges administration fees to bond applicants and uses such fees to cover its administration costs and to support its ongoing community and economic development programs in Arizona. The Phoenix IDA is a special-purpose governmental entity engaged in business type activities. The City Council of the City of Phoenix elects the board of directors for Phoenix IDA and may remove a director at any time, with or without cause. Upon future dissolution, all funds held by the Phoenix IDA and title to its property will revert to the City. Although the Phoenix IDA is legally separate from the City, governmental accounting standards require the Phoenix IDA to be reported as a discretely presented component unit of the City for financial reporting purposes because of the City Council’s relationship to the Phoenix IDA. Separate financial statements for the Phoenix IDA can be obtained from the City’s Finance Department, through the Phoenix IDA at 251 W. Washington Street, 9th floor, Phoenix, Arizona, 85003.

b. Jointly Governed Organizations

Valley Metro Regional Public Transportation Authority (the “Authority”)

The Authority is a voluntary association of local governments, including Phoenix, Tempe, Scottsdale, Glendale, Mesa and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

Arizona Municipal Water Users Association (“AMWUA”)

AMWUA is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. In addition, AMWUA contracts with the cities jointly using the 91st Avenue Wastewater Treatment Plant to perform certain accounting, administrative and support services.

Phoenix-Mesa Gateway Airport (“PMGA”)

PMGA is a nonprofit corporation established and funded by the City of Phoenix, City of Mesa, Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become PMGA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The City of Phoenix contributed \$1.3 million this fiscal year (life to date \$19.5 million) to the PMGA operating and capital budget.

c. Basic Financial Statements

The basic financial statements constitute the core of the financial section of the City's Comprehensive Annual Financial Report (CAFR). The basic financial statements include the government-wide financial statements, fund financial statements, and the accompanying notes to these financial statements. The government-wide financial statements (statement of net position and statement of activities) report on the City and its component units as a whole, excluding fiduciary activities. *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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The City does not utilize any internal service funds.

Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles.

The government-wide statement of net position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets plus deferred outflows of resources less liabilities plus deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) Net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets, are capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is subject to constraints that are: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Commitments or assignments of net position imposed by the reporting government, whether by administrative policy or legislative actions of the reporting government, are not shown on the government-wide financial statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt shared by multiple functions is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB

Notes to the Financial Statements (Continued)

Statement No. 34. Although the model sets forth minimum criteria for determination of major funds (a percentage of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City has opted to add some funds as major funds because of outstanding debt or community focus. Nonmajor funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following the fund statements. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary (enterprise) funds and fiduciary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements but is included in the fund columns in the proprietary fund financial statements.

d. Fund Accounting

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The City uses the following fund categories, further divided by fund type:

Governmental Funds

Governmental funds are those through which most of the governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund will always be considered a major fund in the basic financial statements.

Transit Special Revenue Fund

The Transit Fund is the only special revenue fund that is presented as a major fund in the basic financial statements. It is used to account for federal grant operating funds, regional Public Transportation Assistance funds, Transit 2000 and Transportation 2050 excise tax revenues and the City's local matching funds. Expenditures are for the administrative and operating costs of the public transit system.

Notes to the Financial Statements (Continued)

General Obligation/Secondary Property Tax Debt Service Fund

The General Obligation/Secondary Property Tax Fund is the only debt service fund that is presented as a major fund in the basic financial statements. It is used to account for debt service on all various purpose general obligation bonds. Funding is provided by the City's secondary property tax revenues, which may be used only for debt service.

The City reports the following nonmajor governmental funds:

The City has the following nonmajor governmental funds:

Special Revenue Funds

Eight nonmajor special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted or committed expenditures for specified purposes.

Capital Projects Funds

Ten nonmajor capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Funds

Three nonmajor debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, financial position and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. The City has five enterprise funds, which are all presented as major funds in the basic financial statements and are used to account for the operation of the City's Sky Harbor International Airport and two regional airports, Phoenix Convention Center, water system, wastewater system and solid waste disposal system.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension and Other Employee Benefit Trust Funds

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has two pension trust funds to account for the activities of the City of Phoenix Employees' Retirement System and the Excess Benefit Arrangement.

Notes to the Financial Statements (Continued)

Employee Benefit Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of post employment benefit plans (other than pensions) or other employee benefit plans. The City has four other employee benefit trust funds to account for the activities of the Health Care Benefits, Retiree Rate Stabilization, Medical Expense Reimbursement Program (MERP) and Long Term Disability (LTD).

Agency Funds

Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and other funds. The City has three agency funds to account for accrued payroll liabilities such as withholding taxes, and contributions to the Post Employment Health Plan and the Deferred Compensation Plan.

e. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets plus deferred outflows of resources and current liabilities plus deferred inflows of resources are generally included on the balance sheet. Statements of revenues, expenditures and changes in fund balance present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balance.

Proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus whereby all assets plus deferred outflows of resources and liabilities plus deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position for proprietary funds. Statements of changes in fiduciary net position present additions and deductions in net position held in trust for pension and other employee benefits for fiduciary funds.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues susceptible to accrual include property tax, transaction privilege tax, highway user tax, state shared sales tax, vehicle license tax, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, parks and recreation charges and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received.

The accrual basis of accounting is followed for all enterprise funds and trust funds, whereby revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred. Employee contributions to the trust funds are recognized as revenue in the period in which employee services are performed and the contributions are therefore earned. Employer contributions are recognized at the same time, as the City is formally committed to contribute the actuarially determined amount each year. Benefit payments received the first of each month by retirees are recognized as an expense of the prior month; and refunds are recognized as expenses when paid out, in accordance with the terms of the plans.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

Notes to the Financial Statements (Continued)

connection with the fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

f. Budget and Budgetary Accounting

An operating budget is legally adopted by ordinance each fiscal year for the General Fund, all special revenue funds, Secondary Property Tax Debt Service Fund, City Improvement Debt Service Fund and all enterprise funds on a modified accrual basis plus encumbrances. Due to the number of individual special revenue funds, the Transit, Development Services, Grants, and Public Housing special revenue funds include two or more budgeted funds with similar purposes for GAAP financial statement presentation. The level of legal budgetary control is by fund, except for the General Fund, for which the control is by program (i.e., related activities performed by one or more departments, such as public safety or community enrichment). For the applicable level of control, the budget can be amended only by City Council action subject to state law limitations. Transfers of sums within any specific appropriation may be made, but require the City Manager's approval. The General Fund, Development Services Fund, Transportation Tax 2050 Fund, and several enterprise funds include an appropriation for contingencies. Expenditures may be made from these appropriations only with City Council approval. Unexpended appropriations, including those encumbered, lapse at fiscal year end. Since all expenditures must be covered by an appropriation, the City reappropriates outstanding encumbrances. For 2016-17, the reappropriation budget was \$1.4 billion.

Expenditure Limitation

Since fiscal year 1982-83, the City has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The 2016-17 expenditure limit supplied by the Economic Estimates Commission was \$1.4 billion. The City increased this limit to \$5.9 billion to adjust for additional voter-approved modifications, as follows:

- The Constitution exempts certain expenditures from the limitation. The principal exemptions for the City of Phoenix are payments for debt service and other long-term obligations, as well as expenditures of federal funds and certain state-shared revenues. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may also be adjusted for the transfer of functions between governmental jurisdictions.
- The Constitution provides four processes, all requiring voter approval, to modify the expenditure limitation:
 1. A four-year home rule option.
 2. A permanent adjustment to the 1979-80 base.
 3. A one-time override for the following fiscal year.

Notes to the Financial Statements
(Continued)

4. An accumulation for pay-as-you-go capital expenditures.

Phoenix voters have approved four-year home rule options on a regular basis since the implementation of the expenditure limitation. The current home rule option which was approved in 2015 allows the City Council, after hearings are held for each council district, to establish the annual budget as the limit. This four-year home rule option will be in effect through 2019-20. Previously established exclusions for pay-as-you-go capital projects continue to apply.

Budget Calendar

Each year the City Manager issues a budget calendar giving specific completion dates for various phases of the budget process. Both the City Charter and State Statutes are followed by completing each step by the earlier of the two legal “deadlines”, described below:

Action	City Charter	State Statutes
Post notice on the official city website if there will be an increase in either the primary or the secondary property levy	No requirement	60 days prior to Tax Levy Adoption
City Manager’s proposed budget for ensuing year submitted to Council	On or before the first Tuesday in June or a date designated by Council	No provision
Publish general summary of budget and notice of public hearing	Publish in newspaper of general circulation at least two weeks prior to first public hearing	No provision
Public hearing and tentative budget adoption	On or before the last day of June	On or before the third Monday in July
Publish truth-in-taxation notice twice in a newspaper of general circulation (when required)	No requirement	First, at least 14 but not more than 20 days before required public hearing; then at least seven days but not more than 10 days before required hearing
Publish budget summary and notice of public hearing	No provision	Once a week for two consecutive weeks following tentative adoption
Post a complete copy of the tentatively adopted budget on the city’s website and provide copies to libraries and City Clerk	No requirement	No later than 7 business days after the estimates of Revenue and Expenses are initially presented before the City Council
Public hearing on budget plus tax levy or truth-in-taxation hearing (when required) and final budget adoption	No provision	On or before the 14th day before the tax levy is adopted and no later than the first Monday in August
Post a complete copy of the adopted final budget on the city’s website	No requirement	No later than seven days after adoption
Public hearing and property tax levy adoption	No later than the last regular Council meeting in July	No sooner than fourteen days following final budget adoption and no later than the third Monday in August

Notes to the Financial Statements (Continued)

Final adoption of the operating budget is by ordinance. Differences between the basis of accounting used for budgetary purposes and that used for reporting in accordance with GAAP are discussed in Note 2.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

h. Pooled Cash and Investments

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. Excluded from this pool are the investments of COPERS and certain other legally restricted funds. COPERS' investments are managed by thirty-four professional fund managers and are held by a plan custodian who is COPERS' agent. Interest earned by the pool is distributed monthly to individual funds based on daily equity in the pool.

The City's cash and cash equivalents are considered to be cash in bank, cash on hand, and short-term investments with original maturities of 90 days or less from the date of acquisition.

The City's investments are stated at fair value. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

i. Inventories

Inventories consist of expendable supplies held for consumption. Inventories in governmental funds are stated at average cost. Enterprise fund inventories are stated at the lower of average cost or market. Inventories are primarily accounted for on the consumption method. An amount equal to the inventories in the governmental funds is shown as non-spendable fund balance as it is not available for future expenditure.

j. Capital Assets

All capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term capital assets or depreciation are shown in the governmental fund financial statements.

Public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) has both depreciable and non-depreciable components. Non-depreciable infrastructure consists of sub-grade preparation. According to the Streets Department engineers, sub-grade preparation, which is necessary for the initial construction of a street, will not have to be replaced in order to maintain the streets at an acceptable level. Therefore, the sub-grade preparation is treated as a permanent improvement.

The largest category of intangible assets in the City is software which includes both externally acquired and internally developed software packages. Other intangible assets include water rights, studies, master plans, and manuals.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. All artwork, land and non-depreciable infrastructure is capitalized.

Notes to the Financial Statements (Continued)

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. Capital leases are classified as capital assets in amounts equal to the lesser of fair market value or the present value of net minimum lease payments at the inception of the lease.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for the enterprise funds. See Note 9 for presentation of capital additions and interest costs capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciable capital assets are depreciated or amortized using the straight-line method and the following estimated useful lives:

Buildings and improvements	5 to 50 years
Motor vehicles and motorized equipment	3 to 25 years
Furniture, machinery and equipment	5 to 25 years
General government infrastructure	6 to 100 years
Mains, hydrants, meters and service connections	5 to 50 years
Intangible assets	5 to 50 years

Gain or loss is recognized when assets are retired from service or are otherwise disposed of. Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation).

k. Compensated Absences

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' retirement. Unused sick leave hours not eligible for such cash payment is treated as additional service time in the calculation of postemployment benefits. For the government-wide financial statements, as well as the enterprise fund financial statements, outstanding compensated absences are recorded as a liability.

l. 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 fiduciary net position of the pension plans as described in Note 20 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 at fair value.

m. Long-Term Obligations

In the government-wide financial statements, and in the enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position.

Notes to the Financial Statements (Continued)

Bond premiums and discounts are amortized over the life of the bonds using the interest method. Bond liabilities are reported net of unamortized bond premiums or discounts in the financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. Bond issuance costs are expensed as incurred. 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.

n. Fund Deficits

Deficits sometimes occur in the capital projects funds which are recovered through future bond sales and/or the award of federal grants. The Phoenix Convention Center Enterprise fund reported a deficit of \$42.0 million. The deficit is primarily in the Net Investment in Capital Assets resulting from the timing difference between depreciation on the Phoenix Convention Center north and west building expansion and the principal payments for the related debt. As the City increases the principal payments in accordance with the debt service schedules and the depreciation remains constant, the deficit balance will be eliminated. Due to the implementation of GASB Statement No. 68, the Solid Waste Enterprise Fund reported a deficit of \$8.4 million. The City has implemented measures designed to fully fund the general City pension which will eliminate the deficit in Solid Waste.

o. Interfund Transactions

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as a reimbursement reducing expenditures in the fund performing the services, except for sales of water to other City departments, which are recorded as revenue in the Water Enterprise funds. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

p. Statements of Cash Flows

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with original maturities of 90 days or less when purchased are considered to be cash equivalents. Under the provisions of GASB Statement No. 9, the trust funds are not required to present a statement of cash flows.

q. New Accounting Pronouncements

New Accounting Pronouncements Adopted in 2017:

GASB Statement No. 74, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***, establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit (“OPEB”) plans. The statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. The adoption of Statement No. 74 had no impact on the City’s governmental fund financial statements. The adoption also resulted in no changes to the presentation of the financial statements of the City’s Pension and Other Employee Benefit Trust Funds. Note disclosures and Required Supplementary Information (RSI) were incorporated to comply with Statement No. 74. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The City has implemented this Statement in fiscal year 2017.

Notes to the Financial Statements (Continued)

GASB Statement No. 77, **Tax Abatement Disclosures**, improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has implemented this Statement in fiscal year 2017.

GASB Statement No. 78, **Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans**, amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* - and amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The Statement also established requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 79, **Certain External Investment Pools and Pool Participants**, establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The Statement also establishes additional note disclosures for qualifying external investment pools. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The City has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 80, **Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14**, will enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The City has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 82, **Pension Issues-and amendment of GASB Statements No. 67, No. 68, and No. 73**, will enhance consistency in the application of financial reporting requirements to certain pension issues. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The City has implemented this Statement in fiscal year 2017.

Pronouncements Issued But Not Yet Effective:

GASB has issued the following pronouncements that may effect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. The City has not fully determined the effect these pronouncements will have on the City's financial statements.

Notes to the Financial Statements
(Continued)

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018
87	<i>Leases</i>	2021

2. Budget Basis of Accounting

The City's budget is adopted on a basis other than GAAP. The Budgetary Comparison Statements for the General Fund (Exhibit B-5) and the Transit Special Revenue Funds (Exhibits B6 through B-9) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP bases are:

	<u>Budget</u>	<u>GAAP</u>
Encumbrances	The equivalent of expenditures	Not recognized
Grant Revenues	Recognized on a modified cash basis	Recognized on the modified accrual basis
Investment Income	Unrealized gain or loss on investments not recognized	Unrealized gain or loss on investments recognized
Staff and Administrative Costs	Interfund transfers	Reimbursable expenses

Subfunds without legally adopted budgets (and, therefore, not included in the budgetary balances) are reported for GAAP. In addition, certain revenues, expenditures and transfers not recognized in the budgetary year are accrued for GAAP purposes.

Notes to the Financial Statements
(Continued)

Adjustments necessary to convert the change in fund balance for the fiscal year ended June 30, 2017 on the budget basis to the GAAP basis are as follows (in thousands):

	<u>General Fund</u>	<u>Transit Special Revenue Fund</u>
Budget basis	\$ 31,950	\$ (25,994)
Entity differences - amounts not budgeted	(22,095)	(4)
Transfers not recognized for budget purposes	232	394
Advance payments not recognized for budget purposes (net of reversals of prior year accruals)	(798)	(9,739)
Accrued expenditures not recognized for budget purposes (net of reversals of prior year accruals)	(15,298)	16,143
Unrealized gain or loss on investments	(3,258)	(1,595)
Encumbrances at June 30 recognized as expenditures for budget purposes	12,479	20,266
GAAP basis	<u>\$ 3,212</u>	<u>\$ (529)</u>

Adjustments necessary to convert the fund balances at June 30, 2017 on the budget basis to the GAAP basis are as follows (in thousands):

Fund Balances at June 30

	<u>General Fund</u>	<u>Transit Special Revenue Fund</u>
Budget basis	\$ 144,494	\$ 242,048
Entity differences - amounts not budgeted	148,226	(4,455)
Transfers not recognized for budget purposes	(33,097)	394
Advance payments not recognized for budget purposes	5,824	(41,016)
Accrued expenditures not recognized for budget purposes	10,854	(1,421)
Unrealized gain or loss on investments	38,529	2,770
Encumbrances at June 30 recognized as expenditures for budget purposes	41,122	89,001
GAAP basis	<u>\$ 355,952</u>	<u>\$ 287,321</u>

3. Fund Balances

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned and Unassigned based on the extent to which the City is bound to observe constraints imposed on the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors through debt covenants, grantors, contributors, or laws or regulation of other governments or it’s imposed by law through enabling legislation.

Committed - The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously

Notes to the Financial Statements
(Continued)

commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations. The City Manager or his designees i.e., department heads, deputy city managers, etc., are authorized by City Charter to assign fund balance in carrying out the administration of the City.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative unassigned fund balance.

Generally, the City would first apply restricted resources, then committed, assigned and unassigned resources when an expense is incurred for purposes for which more than one classification of fund balance is available.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table.

	General	Transit Special Revenue	General Obligation/ Secondary Property Taxes	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances (in thousands):					
Nonspendable:					
Inventory/Prepaid/Notes Receivable	\$ 13,706	\$ 914	\$ —	\$ 4,321	\$ 18,941
Spendable:					
Restricted for:					
Capital Construction	—	—	—	173,316	173,316
Debt Service	—	—	81,101	4,392	85,493
Public Transit Operations	—	283,486	—	—	283,486
Road Maintenance and Construction	—	—	—	135,605	135,605
Public Parks and Preserves	—	—	—	61,337	61,337
Insurance Claims	47,267	1,605	—	—	48,872
Low Income Housing Programs	—	—	—	20,432	20,432
Court Operations	—	—	—	7,433	7,433
Police and Fire Personnel	—	—	—	51,031	51,031
Other	1,757	—	—	52,085	53,842
Committed to:					
Debt Service	—	—	—	35,708	35,708
Capital Construction	—	—	—	16,295	16,295
Court Operations	—	—	—	3,301	3,301
Assigned to:					
Capital Construction	—	—	—	57,982	57,982
Insurance	47,865	—	—	—	47,865
Development Services	—	—	—	66,425	66,425
Low Income Housing Programs	—	—	—	5,608	5,608
Public Transit Operations	—	1,316	—	—	1,316
Other	3,645	—	—	21,815	25,460
Unassigned	241,712	—	—	(15,581)	226,131
Total fund balances	<u>\$ 355,952</u>	<u>\$ 287,321</u>	<u>\$ 81,101</u>	<u>\$ 701,505</u>	<u>\$ 1,425,879</u>

Notes to the Financial Statements (Continued)

4. Property Tax

Levy, Assessment and Collection

Arizona's property tax system provides for two separate tax systems:

1. A primary system for taxes levied to pay current operation and maintenance expenses.
2. A secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

Prior to fiscal year 2015-16, Arizona had a dual valuation property tax system. Specific provisions were made under each system to determine the full cash and limited values of the property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Primary property taxes were levied against the limited property value (LPV), and secondary property taxes were levied against the full cash value (FCV) of the property. Under the primary system, the LPV could generally only increase by 10% annually, while the FCV had no limitation on the annual increase.

In 2012, voters approved Proposition 117, which replaced Arizona's dual valuation tax system. Also known as the Property Tax Assessed Valuation Amendment, Proposition 117 amended the Arizona Constitution by limiting the annual increase in the LPV and by eliminating the use of FCV to calculate secondary property taxes. Beginning in fiscal year 2015-16, the amendment caps the primary tax value at no greater than 5 percent above the previous year, plus new construction, and establishes a single LPV for both the primary and secondary systems. The LPV is used to calculate primary net assessed valuations (PNAV) also referred to as limited net assessed valuation (LNAV), which is used to calculate both the primary and secondary levies. Both primary and secondary property taxes are levied against the LPV of locally-assessed real property, including residential, commercial, industrial, agricultural and unimproved property. The amendment did not change the methodology used by county assessors to calculate primary values and property owners may still appeal valuations to their county assessor. The amendment did not impose limits on the rate at which primary property taxes may be assessed and does not materially adversely affect the City's ability to levy and collect property taxes. The City of Phoenix PNAV for tax year 2017 (fiscal year 2017-18) is \$11.7 billion.

Separate tax rates are set for both primary and secondary levies. The total amount of primary property taxes that the City can levy is limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. In addition, levies may be increased by an amount equal to payments made during the year by the City pursuant to involuntary tort judgments. Secondary property tax levies are limited to annual general obligation debt service plus a reasonable delinquency factor and may also include new money issuances and defeasances.

The City Council adopts the annual primary and secondary tax levies not later than the last regularly scheduled meeting in July. The City's property tax is levied each year on or before the third Monday in August. The basis of this levy is the LPV as determined by the Maricopa County Assessor. For locally assessed property, the LPV is determined as of January 1 of the year preceding the tax year, known as the valuation year. For utilities and other centrally valued properties, the LPV is determined as of January 1 of the tax year. The City has a legal enforceable claim to the property when the property tax is levied. The County collects all property taxes on behalf of the City and all other tax levying jurisdictions within the County.

Notes to the Financial Statements
(Continued)

Property taxes receivable for the year were as follows (in thousands):

	2016 Levy			Prior Levies	Total
	Primary	Secondary	Total		
Taxes Receivable, July 1	\$ —	\$ —	\$ —	\$ 4,761	\$ 4,761
Current Tax Levy	146,711	91,602	238,313	—	238,313
Adjustment by County Assessor	248	241	489	(905)	(416)
	146,959	91,843	238,802	3,856	242,658
Less: Collections, net	(144,610)	(90,390)	(235,000)	(2,092)	(237,092)
Taxes Receivable, June 30	\$ 2,349	\$ 1,453	\$ 3,802	\$ 1,764	\$ 5,566

In fiscal 2016-17, current property tax collections were \$235.0 million, or 98.6% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax expected to be collected within 60 days was recognized as revenue and recorded as a receivable for the governmental funds. As delinquent payments are received in 2017-18, the receivable will be credited until the full amount has been satisfied. Any additional collections will be credited to revenue. Property tax revenues on the government-wide statements are recognized, net of estimated uncollectible amounts, in the period for which the taxes are levied. The year end balance in the General Obligation/Secondary Property Tax Debt Service Fund must be used for future debt service payments. Any year that total primary tax collections, excluding delinquent collections, exceed the primary tax levy, the excess amount must be deducted from the maximum levy of the following year.

Taxes Due and Payable

Property taxes are due and payable at the office of the County Treasurer in two equal installments on October 1 and March 1 following the levy date, and become delinquent the first business day of November and May, respectively. Interest at 16% per annum attaches on the first and second installments following their delinquent dates. Interest on delinquent taxes is retained by the County. The County Treasurer remits to the City on the 15th day of each month all monies collected the previous month on property taxes due the City.

Delinquent Taxes - Sales and Redemption

Public auctions for sale of delinquent real estate taxes are held in the office of the County Treasurer in February following the May 1 date upon which the second half taxes become delinquent. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest provided by law is 16% per annum. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase, which has not been redeemed, may demand of the County Treasurer a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate may institute a quiet title action. If the suit is successful, the Court will instruct the County Treasurer to issue a County Treasurer's Deed. Redemption may be made by the owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed.

5. Cash and Investments

Cash and cash equivalents at June 30, 2017, was comprised of the following (in thousands):

	Total
Cash in Bank	\$ 32,709
Cash on Hand	5,407
Short-Term Pooled Investments	419,378
Short-Term Non-Pooled Investments	183,504
Total Cash and Cash Equivalents	\$ 640,998

Notes to the Financial Statements (Continued)

A summary of cash and cash equivalents by fund follows (in thousands):

Primary Government		
Unrestricted		
General Fund	\$	55,189
Transit Special Revenue Fund		57,826
General Obligation/Secondary Property Tax		—
Non-Major Governmental Funds		199,586
Enterprise Funds		
Aviation		69,970
Phoenix Convention Center		7,403
Water System		37,316
Wastewater		29,260
Solid Waste		10,292
Total Unrestricted		<u>466,842</u>
Restricted		
Enterprise Funds		
Aviation		32,184
Phoenix Convention Center		1,110
Water System		17,761
Wastewater		18,899
Solid Waste		5,875
Total Restricted		<u>75,829</u>
Total Primary Government		<u>542,671</u>
Component Unit - DPHC		5,231
Component Unit - PHFC		3,695
Component Unit - Phoenix IDA		19,965
Fiduciary Funds		
Employee Pension Trust		39,028
Employee Benefit Trust		19,494
Payroll Agency		10,914
Total Reporting Entity	\$	<u><u>640,998</u></u>

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's deposits were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name at fiscal year end. There were two days during fiscal year 2017 that had undercollateralized deposit liabilities. The carrying amount of the City's deposits at June 30, 2017 was \$53.4 million and the bank ledger balance was \$40.4 million.

Cash with fiscal agents and trustees are subject to custodial risk. The City's contracts with the fiscal agents and trustees call for these deposits to be fully covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds. The carrying amount of the City's cash with fiscal agents and trustees and the bank ledger balance at June 30, 2017 was \$657.0 million. Securities with fiscal agents and trustees are not subject to custodial risk. The carrying amount of the City's securities with fiscal agents and trustees and the bank ledger balance at June 30, 2017 were \$21.3 million.

Investments

The City Charter and ordinances authorize the City to invest in U.S. Treasury securities, securities guaranteed, insured or backed by the full faith and credit of the U.S. Government, U.S. Government agency securities, repurchase agreements, commercial paper, money market accounts, certificates of deposit, the State Treasurer's Local Government Investment Pool "LGIP", highly rated securities issued or guaranteed by any state or political subdivision thereof rated in the highest short-term or second highest long-term category and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by a solvent U.S. corporation which are not in default as to principal or interest. Investments are carried at fair value. It is the City's policy generally to hold investments until maturity.

In addition to the types of investments described above, the LTD and MERP Trusts' assets are invested in separate, externally managed portfolios, mutual funds and commingled funds. These externally managed portfolios and

Notes to the Financial Statements

(Continued)

funds consist of investments in U.S. equities, non-U.S. equities, core fixed income, real return securities, marketable alternatives, and real estate.

In addition to the types of investments described above, COPERS is also authorized to invest in certain types of common stocks, real property, and investment derivative instruments, which include swaps, forwards, options on swaps, and options on forwards. The City Charter as of July 1, 2013 was revised due to the passage by Phoenix Voters of Proposition 202 which removed investment limitations from the Retirement Law contained in Chapter XXIV. The City of Phoenix Employees' Retirement Systems (COPERS) Board now exercises the Prudent Investor Rule. The Retirement Board has a duty to invest and manage the assets of the Retirement Plan solely in the interests of the members and beneficiaries of the Retirement Plan.

Rebates

Senate bill 1306 requires local governments to disclose the amount of any reward, discount, incentive or other financial consideration received as a result of credit card payments made to a vendor for goods or services. In fiscal year 2017, the City has recorded approximately \$394 thousand in rebates related to its single use account program.

Notes to the Financial Statements (Continued)

Total investments at June 30, 2017, stated at fair value, were \$4.7 billion. The following summarizes those amounts reported in "Investments" in the accompanying financial statements (in thousands):

	Credit Quality Rating	Fair Value	Weighted Average Maturity (Years)
City Investments			
Pooled Investments			
Repurchase Agreements collateralized by U.S. Treasury Securities	Not Rated	176,897	0.016
U.S. Treasury Securities	AA+	768,956	2.159
U.S. Government Agency Securities			
FFCB Notes	AA+	234,059	2.584
FNMA Notes	AA+	172,352	2.468
FHLMC Notes	AA+	188,994	1.477
FHLB Notes	AA+	394,368	1.485
Total U.S. Government Agency Securities		989,773	1.915
Pre-Refunded Municipal Securities	N/A (1)	10,354	0.645
Certificates of Deposit	N/A (2)	123,586	0.144
Commercial Paper	A-1	94,984	0.023
Mortgage Backed Securities			
GNMA	AA+	39,900	3.040
FHLMC Notes	AA+	419	3.187
Total Mortgage Backed Securities		40,319	3.042
Total Pooled Investments		2,204,869	1.681
Less: Joint Venture Pooled Investments		(46,553)	
Less: Short-Term Pooled Investments		(419,377)	
Net Pooled Investments		1,738,939	
Non-Pooled Investments			
Repurchase Agreements collateralized by U.S. Treasury Securities	Not Rated	30,137	0.008
U.S. Treasury Securities	AA+	306,233	0.766
U.S. Treasury Securities Money Market Mutual Funds	AAAm	28,633	0.003
U.S. Government Agency Securities			
FFCB Notes	AA+	4,975	3.633
FNMA Notes	AA+	998	0.833
FHLMC Notes	AA+	1,987	3.533
FHLB Notes	AA+	81,872	0.408
Total U.S. Government Agency Securities		89,832	0.660
Pre-Refunded Municipal Securities	N/A (1)	52	1.445
Investment in Land	N/A	872	
Total Non-Pooled Investments		455,759	0.647
Less: Short-Term Non-Pooled Investments		(144,921)	
Net Non-Pooled Investments		310,838	
Total City Investments		2,049,777	

(1) Pre-Refunded Municipal Securities for which the payment of interest, and ultimately the repayment of the principal, is backed by U.S. Government Securities.

(2) All Certificates of Deposit are insured by the FDIC.

Notes to the Financial Statements

(Continued)

	Credit Quality Rating	Fair Value	Weighted Average Maturity (Years)
COPERS Investments			
Fixed Income Investments			
Derivatives	Not Rated	\$ 845	9.474
Derivatives	A	<u>144</u>	7.397
Total Derivatives		989	
U. S. Treasury Securities	Not Rated	12,102	12.538
U. S. Treasury Securities	AAA	40,990	16.115
U. S. Treasury Securities	AA	5,688	11.087
U. S. Treasury Securities	A	4,034	9.174
U. S. Treasury Securities	BBB	<u>116</u>	13.246
Total U. S. Treasury Securities		62,930	
Total U.S. Government Agency Securities	AA	2,805	4.364
Mortgage Backed Securities	Not Rated	68,940	30.001
Mortgage Backed Securities	AAA	9,285	24.732
Mortgage Backed Securities	AA	1,505	10.105
Mortgage Backed Securities	A	1,261	17.889
Mortgage Backed Securities	BBB	376	16.971
Mortgage Backed Securities	BB	819	17.113
Mortgage Backed Securities	B	702	19.875
Mortgage Backed Securities	CCC	710	18.252
Mortgage Backed Securities	D	<u>178</u>	18.164
Total Mortgage Backed Securities		83,776	
Asset Backed Securities	AAA	2,121	3.184
Asset Backed Securities	AA	92	28.603
Asset Backed Securities	A	979	18.298
Asset Backed Securities	BBB	258	18.499
Asset Backed Securities	BB	389	12.301
Asset Backed Securities	CCC	<u>543</u>	27.263
Total Asset Backed Securities		4,382	
Total Fixed Income Commingled	Not Rated	143,342	6.000
Municipal Bonds	AAA	375	20.101
Municipal Bonds	AA	3,081	22.769
Municipal Bonds	A	226	18.099
Municipal Bonds	BBB	<u>308</u>	24.523
Total Municipal Bonds		3,990	
Corporate Bonds	Not Rated	27,567	13.543
Corporate Bonds	AAA	3,056	11.277
Corporate Bonds	AA	2,768	14.582
Corporate Bonds	A	11,418	8.071
Corporate Bonds	BBB	25,036	8.579
Corporate Bonds	BB	3,253	8.997
Corporate Bonds	B	4,756	12.965
Corporate Bonds	CCC	764	9.645
Corporate Bonds	D	<u>121</u>	29.970
Total Corporate Bonds		78,739	
Total Corporate Bonds Commingled	Not Rated	12,808	10.376
International Bonds	Not Rated	2,582	4.957
International Bonds	AAA	520	3.636
International Bonds	AA	1,717	7.675
International Bonds	A	1,490	16.305
International Bonds	BBB	3,815	12.579
International Bonds	BB	4,358	14.203
International Bonds	B	<u>438</u>	6.315
Total International Bonds		14,920	
Total Foreign Commingled	Not Rated	103,320	8.200
Total Fixed Income Investments		512,001	
Temporary Investments from Securities		90,569	
Domestic Equities:			
Common Stocks		515,059	
Commingled Equity Index Fund		77,385	
Real Estate		<u>315,307</u>	
Total Domestic Equities		907,751	
Global Commingled		446,101	
International Equities		244,881	
Hedged Funds		<u>254,936</u>	
Total COPERS Investments		<u>\$ 2,456,239</u>	

Notes to the Financial Statements (Continued)

	Credit Quality Rating	Fair Value	Weighted Average Maturity (Years)
Fiduciary Fund External Investments			
Employee Benefit Trust			
Bond Mutual Funds			
Aberdeen Total Return	Not Rated	\$ 13,450	7.420
PIMCO Total Return	Not Rated	13,543	7.560
Vanguard Total Bond Market Index	Not Rated	26,829	8.300
Total Bond Mutual Funds		<u>53,822</u>	
Stock Mutual Funds	Not Rated	170,550	
Pacific Hedged Strategies Funds	Not Rated	10,738	
Total Fiduciary Fund External Investments		<u>\$ 235,110</u>	
Phoenix Industrial Development Authority			
Investment in Land	N/A	\$ 3,389	—
A summary of investments by fund follows (in thousands):			
Primary Government			
Unrestricted			
General Fund		\$	161,356
Transit Special Revenue Fund			230,812
General Obligation/Secondary Property Tax			79,462
Non-Major Governmental Funds			508,229
Enterprise Funds			
Aviation			295,482
Phoenix Convention Center			33,653
Water System			152,098
Wastewater			117,653
Solid Waste			42,565
Total Unrestricted			<u>1,621,310</u>
Restricted			
Enterprise Funds			
Aviation			121,148
Phoenix Convention Center			13,962
Water System			71,043
Wastewater			75,594
Solid Waste			22,940
Total Restricted			<u>304,687</u>
Total Primary Government			<u>1,925,997</u>
Component Unit - PIDA			3,389
Fiduciary Funds			
Employee Pension Trust			2,456,789
Employee Benefit Trust			314,685
Payroll Agency			43,655
Total Reporting Entity			<u>\$ 4,744,515</u>

Notes to the Financial Statements (Continued)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017 (in thousands):

Investments by Fair Value Level	Fair Value Measurement Using			
	6/30/2017	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	\$ 1,291,998	\$ 15,941	\$ 1,276,057	\$ —
U.S. Government agency obligations	1,079,656	—	1,079,656	—
U.S. Government agency MBS/CMO	40,319	—	40,319	—
Municipal bonds	10,354	—	10,354	—
Commercial paper	94,984	—	94,984	—
Investment in land	872	—	—	872
Total investments, including those classified as, cash equivalents by fair value level	<u>\$ 2,518,183</u>	<u>\$ 15,941</u>	<u>\$ 2,501,370</u>	<u>\$ 872</u>

U.S. Government securities totaling \$15.9 million in fiscal year 2017 are classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets.

U.S. Government securities totaling \$1.3 billion, U.S. government agency obligations totaling \$1.1 billion, U.S. government agency MBS/CMO totaling \$40.3 million, municipal bonds totaling \$10.4 million and commercial paper totaling \$95.0 million in fiscal year 2017 are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These prices are obtained from a pricing source.

Investment in Land totaling \$872 thousand in fiscal year 2017, classified in Level 3 of the fair value hierarchy is valued by appraisal using valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow model and similar techniques not on market, exchange, dealer or broker-traded transactions.

For the LTD and MERP Trusts, Bond Mutual Funds totaling \$53.8 million, Stock Mutual Funds totaling \$166.6 million classified in Level 1 of the fair value hierarchy in fiscal year 2017 are valued using quoted prices in active markets. Stock Mutual Funds totaling \$3.9 million classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Pacific Hedged Strategies Funds totaling \$10.7 million in fiscal year 2017, classified in Level 3 of the fair value hierarchy is valued by appraisal using valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow model and similar techniques not on market, exchange, dealer or broker-traded transactions.

Notes to the Financial Statements (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of COPERS as of June 30, 2017 (in thousands):

Investments by Fair Value Level	Fair Value Measurement Using			
	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Equities	\$ 515,059	\$ 297,262	\$ 200	\$ 217,596
International Equities Commingled	244,881	—	—	244,881
Private Equity	77,385	—	—	77,385
Fixed Income				
Futures	173	173	—	—
SWAPS	816	—	816	—
US government and agency securities	65,735	62,803	2,932	—
Mortgage backed securities - residential	83,776	—	83,776	—
Asset backed securities	4,382	—	4,382	—
Municipal bonds	3,990	—	3,990	—
Corporate bonds	78,739	2,993	53,906	21,840
Corporate bonds commingled	12,808	—	—	12,808
Foreign	14,920	—	14,920	—
Foreign commingled	103,320	—	—	103,320
Total fixed income securities	<u>368,659</u>	<u>65,969</u>	<u>164,722</u>	<u>137,968</u>
Temporary Investments from Securities Lending	<u>90,569</u>		<u>90,569</u>	
Subtotal	<u>1,296,553</u>	<u>363,231</u>	<u>255,491</u>	<u>677,830</u>
Investments measured at the net asset value (NAV)				
Hedge Funds	<u>254,936</u>			
Commingled Fixed Income	<u>143,342</u>			
Global Commingled	<u>446,101</u>			
Real Estate Funds	<u>315,307</u>			
Subtotal	<u>1,159,686</u>			
Total investments and cash equivalents by fair value level	<u>\$ 2,456,239</u>	<u>\$ 363,231</u>	<u>\$ 255,491</u>	<u>\$ 677,830</u>

Notes to the Financial Statements (Continued)

Certain investments are reported at the net asset values calculated by the investment manager. These investments at June 30, 2017, detailed in the following table, are subject to capital calls and specific redemption terms:

	June 30, 2017 (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 254,936	\$ —	Not Applicable	—
Commingled Fixed Income	143,342	—	Daily	0 - 30 Days
Global Commingled	446,101	—	Daily	0 - 30 Days
Real Estate Funds	315,307	170,049	Not Applicable	—

Alternative investments measured at NAV include hedge funds, real estate, opportunistic and global fixed income and infrastructure investments. Below is a description of the various investment strategies:

- COPERS invests in two direct hedge funds and one customized fund of one. All three funds have a global macro strategy.
- COPERS portfolio consists of one commingled fixed income fund and two fixed income separate accounts. These accounts have a core plus strategy.
- COPERS has two global commingled funds. One fund which has a global large cap growth mandate and the second fund which has a large cap value mandate.
- COPERS' real estate investments consists of two core real estate funds and 14 non-core real estate partnerships. The core funds permit redemptions with a 90-day notice, the non-core fund investments have a limited liquidity and redemptions are restricted.

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those debts and securities. Debt and equity securities categorized as Level 2 are valued using a matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the relationship to benchmark quoted prices. Investment derivative instruments categorized as Level 2 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates. Mortgage-backed securities categorized as Level 2 are valued using discounted cash flow techniques. Debt and equity securities categorized as Level 3 are debt and securities whose stated market price is unobservable by the market place, many of these securities are priced by the issuers or industry groups for these securities. Collateralized debt obligations categorized as Level 3 are valued using consensus pricing. The fair value of international commingled equity funds and related short-term investments classified in Level 3 represent the value of unit positions in funds that are not publicly traded on an exchange. Fair value of these securities can be impacted by redemption restrictions imposed by the fund managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

There 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 ("GP"). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in our alternative investment program are classified as Level 3 assets.

Interest Rate Risk

In order to limit interest rate risk, the City's investment policy limits maturities as follows:

U.S. Treasury Securities	5 year final maturity
Securities guaranteed, insured, or backed by the full faith and credit of the U.S. Government	5 year final maturity
U.S. Government Agency Securities	5 year final maturity
Repurchase Agreements	60 days
Municipal Obligations	5 years for long-term issuances
Money Market Mutual Funds	90 days
Commercial Paper	270 days

Notes to the Financial Statements (Continued)

For Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO), the maximum weighted average life using current Public Securities Association (PSA) prepayment assumptions shall be twelve years at the time of purchase for MBS and five years at the time of purchase for CMO.

For the LTD and MERP Trusts, investment activity has been delegated from the Trust funds' Boards to professionally managed mutual funds to diversify the composition of the Trusts' assets. The bond funds, as of June 30, 2017, have weighted average maturities ranging from 7.42 to 8.30 years.

The decision making responsibility for COPERS' investment activity has been delegated from the COPERS Board to professional fund managers in order to diversify the composition of the fund's investments and to allow for more active management of the portfolio. COPERS' investment management agreement with Aberdeen Asset Management Inc. specifies a weighted average duration of +/- two years of the Barclays Capital US Aggregate Index. The investment management agreement with PIMCO requires a weighted average duration of +/- two years of the Barclays Capital US Aggregate Index. COPERS' investment services agreement with Western Asset Management Company directs them to maintain an average weighted duration of portfolio security holdings, including futures and options positions, within +/- 20% of the Barclays Capital U.S. Aggregate Index. The investment management agreement with PIMCO requires a weighted average duration of +/- two years of the Barclays Capital US Aggregate Index and MFS Heritage Trust specifies a weighted average duration of +/- seven years of the JPMorgan Emerging Markets Bond Index.

Credit Risk

The City's investment policy limits its purchase of investments to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The portfolio is primarily invested in securities issued by the U.S. Treasury or by U.S. Government Agency Securities which are rated Aaa by Moody's and AA+ by S&P. Repurchase agreements are generally collateralized by U.S. Treasuries and U.S. Government Agency Securities at 102%. In addition, the portfolio is invested in pre-refunded municipal securities for which the payment of interest, and ultimately the repayment of the principal, is backed by U.S. Government Securities. Municipal securities must have a short-term minimum rating of A1 by S&P and P1 by Moody's and a long-term uninsured rating of A+ by S&P and A1 by Moody's. Money market mutual funds must have a current minimum money market rating of AAAM by S&P and Aaa-mf by Moody's. For commercial paper, an Issuer's program must have a minimum rating of "A1" by S&P and "P1" by Moody's. The issuing corporation must be organized and operating in the United States and have a minimum long-term debt rating of "A+" by S&P and "A1" by Moody's. Programs rated by only one of the agencies are ineligible.

Credit risk for the City's LTD and MERP trusts is mitigated by portfolio diversification inherent in the asset allocation strategy approved by the trust funds' boards. Assets are invested in mutual funds which do not receive a credit quality rating from a national rating agency and can be sold at any time.

COPERS' currently has four managers responsible for fixed income investments. Aberdeen Asset Management Inc., MFS Institutional Advisors, PIMCO and Western Asset Management Company (Western) are active bond managers. As part of their portfolio, managers may enter into futures, options, and swaps contracts for hedging purposes and/or as a part of the overall portfolio strategy and will be incidental to its securities trading activities for the account.

Concentration of Credit Risk

Investments in any one issuer, excluding U.S. governments that represent 5% or more of total City investments are as follows (in thousands):

<u>Issuer</u>	<u>Fair Value</u>
FFCB	239,034
FHLB	476,240
FHLMC	190,981
FNMA	173,350

Notes to the Financial Statements

(Continued)

The LTD and MERP Trusts have allocated 24% of their total assets to core fixed income mutual funds which have mandates to be well diversified over a broad range of various issuers.

Foreign Currency Risk

COPERS' investment policy includes a target of 19% of the COPERS plan's total assets in international equity investments. The current actual international equity investment allocation is 18.6% of total COPERS' assets as of June 30, 2017. The fair value of COPERS' international commingled equity funds at June 30, 2017 was \$244.9 million, managed by Baillie Gifford, GMO, MSCI ACW Ex US Index and Mondrian, all of which was exposed to foreign currency risk.

Securities Lending

State statutes and City Charter do not prohibit COPERS from participating in securities lending transactions, and COPERS has, via a Securities Lending Authorization Agreement effective May 6, 2015, authorized Bank of New York Mellon ("BNY") to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During 2017, BNY lent, on behalf of COPERS, certain securities held by BNY as custodian and received cash (United States and foreign currency), securities issued or guaranteed by the United States government and irrevocable letters of credit as collateral. BNY did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 100% of the fair value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

During 2017, COPERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax exempt plan lenders, in a liquidity pool and a duration pool. The collateral pool had a weighted average maturity (WAM) of 17 days and a weighted average life (WAL) of 107 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the fair value of securities on loan for COPERS as of June 30, 2017 was \$90.6 million.

Notes to the Financial Statements
(Continued)

6. Receivables

Receivables at June 30, 2017 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	Accounts	Taxes	Interest	Intergov- ernmental (1)	Notes	Total
Unrestricted						
Governmental Activities						
General Fund	\$ 22,282	\$ 124,796	\$ 34	\$ 26,898	\$ —	\$ 174,010
Transit Special Revenue	2,745	597	—	11,509	—	14,851
G.O./Secondary Property Tax	—	3,182	392	—	—	3,574
Nonmajor	5,313	654	101	43,605	32,751	82,424
	<u>30,340</u>	<u>129,229</u>	<u>527</u>	<u>82,012</u>	<u>32,751</u>	<u>274,859</u>
Business-Type Activities						
Aviation	16,126	—	—	354	—	16,480
Phoenix Convention Center	605	—	—	—	—	605
Water System	56,507	—	—	1,503	—	58,010
Wastewater	20,730	—	—	5,767	7,895	34,392
Solid Waste	13,624	—	—	—	—	13,624
	<u>107,592</u>	<u>—</u>	<u>—</u>	<u>7,624</u>	<u>7,895</u>	<u>123,111</u>
Subtotal	<u>137,932</u>	<u>129,229</u>	<u>527</u>	<u>89,636</u>	<u>40,646</u>	<u>397,970</u>
Restricted						
Business-Type Activities						
Aviation	14,703	—	11	10,836	—	25,550
Phoenix Convention Center	—	—	4	—	—	4
	<u>14,703</u>	<u>—</u>	<u>15</u>	<u>10,836</u>	<u>—</u>	<u>25,554</u>
Total	<u>\$ 152,635</u>	<u>\$ 129,229</u>	<u>\$ 542</u>	<u>\$ 100,472</u>	<u>\$ 40,646</u>	<u>\$ 423,524</u>

(1) Intergovernmental Receivables include monies due from other governmental entities for grants as well as for sales of water, wastewater, and solid waste products and services for the enterprise funds.

The following is a summary of the allowance for doubtful accounts for all funds at June 30, 2017 (in thousands):

	Allowance for Doubtful Accounts		
	Accounts	Taxes	Total
Governmental			
General Fund	\$ 17,565	\$ 30,796	\$ 48,361
Transit Special Revenue Fund	267	—	267
Nonmajor	3,221	—	3,221
Business-Type			
Aviation	—	—	—
Phoenix Convention Center	117	—	117
Water System	2,317	—	2,317
Wastewater	1,241	—	1,241
Solid Waste	1,188	—	1,188
	<u>\$ 25,916</u>	<u>\$ 30,796</u>	<u>\$ 56,712</u>

Notes to the Financial Statements

(Continued)

Enterprise fund Accounts Receivable included unbilled charges at June 30, 2017, as follows (in thousands):

Aviation	\$	10,141
Water System		25,948
Wastewater		8,277
Solid Waste		5,080
	\$	<u>49,446</u>

Notes Receivable

The City has entered into an intergovernmental agreement with the Arizona Department of Transportation to accelerate a road construction project. The intergovernmental agreement has been recorded as a notes receivable in the Streets Improvement Capital Projects Fund. The receivable amount as of June 30, 2017 is \$22.4 million. The agreement is payable to the City in fiscal year 2022.

The City has entered into loan agreements with the Matthew Henson Partnership, LP; Krohn West, LP; Phoenix Central City Revitalization Corp & LLC; PERC Frank Luke Addition LLC; PGHC Pine Crest, LLC; PSMHTC Summit LLC; PIBHC Marcos De Niza LLC; PERC II Frank Luke Addition LLC; PERC III Frank Luke Addition LLC; and Phoenix Starfish Place Corporation for the purpose of financing housing projects. These projects include a mix of affordable housing and market rate units. Payments on these loans are only required to be made from the project's surplus cash flows. Due to the uncertainty of payment, the City is not recognizing a receivable in the Financial Statements and will record all payments as revenue at the time of receipt. The amount of these notes outstanding is \$74.7 million.

The City has entered into various loan agreements with third parties related to its public housing programs. The purpose of these loans is to establish, preserve and rehabilitate public housing and the terms of these loans are more generous (soft) as compared to regular loan agreements. Payments on these loans are only required to be made from the property's surplus cash flows. Due to the uncertainty of payment, the City is not recognizing a receivable in the Financial Statements and will record all payments as revenue at the time of receipt. The amount of these notes outstanding is \$81.7 million as of June 30, 2017.

The City has also entered into various loan agreements with third parties related to its public housing programs that have been recorded as notes receivable within the Public Housing Special Revenue Fund. Under these agreements, the City has either loaned money to nonprofit corporations for the purpose of establishing and/or improving public housing units or to single families providing affordable housing. The loans are secured by an interest in the property being acquired and/or improved. Interest rates range from 0% to 5% with amortization periods up to 40 years. Maturities on the loans are as early as fiscal year ending 2018 and as late as fiscal year ending 2055. As of June 30, 2017 the total amount of the notes outstanding is \$10.3 million. The payments received from these loans are restricted by the Federal Government for public housing programs. Therefore the City records a trust liability within the Public Housing Special Revenue Fund for the outstanding balance of the notes.

Notes to the Financial Statements
(Continued)

7. Interfund Transactions

The following amounts due to other funds or due from other funds are included in the fund financial statements at June 30, 2017 (in thousands):

	<u>Payable Funds</u>
	<u>Governmental Funds</u>
	Nonmajor Governmental
Receivable Funds	
Governmental Funds	
Transit Special Revenue	3,959
Nonmajor Governmental	10,482
Total Governmental Funds	<u>\$ 14,441</u>

Interfund balances at June 30, 2017 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements.

Net transfers of \$18.3 million from governmental activities to business-type activities on the government-wide statement of activities is primarily the result of the monthly transfer of earmarked excise tax to the Phoenix Convention Center Enterprise Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2017 (in thousands):

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$ 107,148	\$ 32,452
Transit Special Revenue Fund	61,025	510
Nonmajor Governmental	16,678	133,568
Total Governmental Funds	<u>184,851</u>	<u>166,530</u>
Enterprise Funds		
Aviation	370	—
Phoenix Convention Center	17	49,051
Water System	41,538	187
Wastewater	11,074	23,612
Solid Waste	1,530	—
Total Enterprise Funds	<u>54,529</u>	<u>72,850</u>
Total Transfers	<u>\$ 239,380</u>	<u>\$ 239,380</u>

Interfund transfers are primarily used for 1) debt service payments made from a debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted general funds; or 3) transfers to move excise tax revenues from the general fund to the Phoenix Convention Center Enterprise Fund.

Notes to the Financial Statements
(Continued)

8. Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets and liabilities payable from restricted assets recorded in the Enterprise Funds at June 30, 2017, are summarized as follows (in thousands):

Restricted Assets		
Cash and Cash Equivalents	\$	75,829
Cash Deposits		12,368
Cash and Securities with Fiscal Agents/Trustees		464,277
Investments		304,687
Receivables, Net of Allowances		25,554
Total Restricted Assets	\$	<u>882,715</u>
Liabilities Payable from Restricted Assets		
Accounts Payable	\$	47,990
Trust Liabilities and Deposits		12,418
Commercial Paper Notes Payable		180,000
Accrued Landfill Closure Costs		847
Subtotal		<u>241,255</u>
Matured Bonds and Certificates Payable		158,270
Interest Payable		100,072
Current Portion of General Obligation Bonds		2,435
Current Portion of Revenue Bonds		993
Current Portion of Municipal Corporation Obligations		158,714
Total Liabilities Payable from Restricted Assets	\$	<u>661,739</u>

Restricted assets and liabilities payable from restricted assets recorded in the Downtown Phoenix Hotel Corporation component unit at June 30, 2017, are summarized as follows (in thousands):

Restricted Assets		
Cash and Cash Equivalents	\$	31,232
Receivables, Net of Allowances		19
Total Restricted Assets	\$	<u>31,251</u>
Liabilities Payable from Restricted Assets		
Trust Liabilities and Deposits	\$	6,777
Total Liabilities Payable from Restricted Assets	\$	<u>6,777</u>

Notes to the Financial Statements
(Continued)

9. Capital Assets

A summary of capital asset activity for the government-wide financial statements follows (in thousands):

	Balances July 1, 2016	Additions	Deletions	Balances July 1, 2017
Governmental activities:				
Non-depreciable assets:				
Land	\$ 1,288,059	\$ 3,109	\$ (7,580)	\$ 1,283,588
Infrastructure	502,556	12,981	—	515,537
Artwork	6,777	267	—	7,044
Construction-in-Progress	201,572	90,845	(119,233)	173,184
Total non-depreciable assets	<u>1,998,964</u>	<u>107,202</u>	<u>(126,813)</u>	<u>1,979,353</u>
Depreciable assets:				
Buildings	1,510,122	1,704	(3,607)	1,508,219
Improvements	602,480	8,168	(2,002)	608,646
Infrastructure	2,090,534	98,166	(25,195)	2,163,505
Equipment	730,634	101,169	(45,143)	786,660
Intangible Assets	70,100	7,398	(1,467)	76,031
Total depreciable assets	<u>5,003,870</u>	<u>216,605</u>	<u>(77,414)</u>	<u>5,143,061</u>
Less accumulated depreciation for:				
Buildings	(651,742)	(40,800)	4,166	(688,376)
Improvements	(307,497)	(25,038)	1,785	(330,750)
Infrastructure	(691,282)	(60,628)	25,148	(726,762)
Equipment	(469,473)	(51,569)	44,412	(476,630)
Intangible Assets	(53,556)	(3,581)	683	(56,454)
Total accumulated depreciation	<u>(2,173,550)</u>	<u>(181,616)</u>	<u>76,194</u>	<u>(2,278,972)</u>
Total depreciable assets, net	<u>2,830,320</u>	<u>34,989</u>	<u>(1,220)</u>	<u>2,864,089</u>
Governmental activities, capital assets, net	<u>\$ 4,829,284</u>	<u>\$ 142,191</u>	<u>\$ (128,033)</u>	<u>\$ 4,843,442</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 704,019	\$ 6,492	\$ (6,577)	\$ 703,934
Artwork	11,016	—	(267)	10,749
Construction-in-Progress	594,731	205,595	(135,478)	664,848
Total non-depreciable assets	<u>1,309,766</u>	<u>212,087</u>	<u>(142,322)</u>	<u>1,379,531</u>
Depreciable assets:				
Buildings	2,913,282	140,917	(19,297)	3,034,902
Improvements	3,824,582	118,127	(88,615)	3,854,094
Infrastructure	1,719,738	53,824	(14,624)	1,758,938
Equipment	1,247,898	95,307	(43,069)	1,300,136
Intangible Assets	235,064	12,679	(11,193)	236,550
Total depreciable assets	<u>9,940,564</u>	<u>420,854</u>	<u>(176,798)</u>	<u>10,184,620</u>
Less accumulated depreciation for:				
Buildings	(1,211,507)	(87,925)	16,322	(1,283,110)
Improvements	(1,845,265)	(135,927)	49,228	(1,931,964)
Infrastructure	(596,639)	(41,619)	14,623	(623,635)
Equipment	(660,724)	(75,677)	18,905	(717,496)
Intangible Assets	(130,316)	(10,823)	683	(140,456)
Total accumulated depreciation	<u>(4,444,451)</u>	<u>(351,971)</u>	<u>99,761</u>	<u>(4,696,661)</u>
Total depreciable assets, net	<u>5,496,113</u>	<u>68,883</u>	<u>(77,037)</u>	<u>5,487,959</u>
Business-type activities, capital assets, net	<u>\$ 6,805,879</u>	<u>\$ 280,970</u>	<u>\$ (219,359)</u>	<u>\$ 6,867,490</u>

Notes to the Financial Statements (Continued)

Component Units

Downtown Phoenix Hotel Corporation:

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
Non-depreciable assets:				
Intangible Assets	\$ 95	\$ —	\$ —	\$ 95
Total non-depreciable assets	95	—	—	95
Depreciable assets:				
Buildings	277,624	—	—	277,624
Improvements	537	—	—	537
Equipment	4,492	136	—	4,628
Intangible Assets	114	—	—	114
Total depreciable assets	282,767	136	—	282,903
Less accumulated depreciation for:				
Buildings	(53,718)	(7,007)	—	(60,725)
Improvements	(278)	(36)	—	(314)
Equipment	(2,648)	(450)	—	(3,098)
Intangible Assets	(92)	(7)	—	(99)
Total accumulated depreciation	(56,736)	(7,500)	—	(64,236)
Total depreciable assets, net	226,031	(7,364)	—	218,667
Component Unit, capital assets, net	\$ 226,126	\$ (7,364)	\$ —	\$ 218,762

Phoenix Housing Finance Corporations:

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
Non-depreciable assets:				
Land	\$ 5,458	\$ 1,054	\$ (229)	\$ 6,283
Construction in Progress	21,582	11	—	21,593
Total non-depreciable assets	27,040	1,065	(229)	27,876
Depreciable assets:				
Buildings	18,852	344	(1,156)	18,040
Improvements	52	—	—	52
Intangible Assets	—	1,545	—	1,545
Total depreciable assets	18,904	1,889	(1,156)	19,637
Less accumulated depreciation for:				
Buildings	(4,725)	(661)	680	(4,706)
Improvements	(9)	(1)	—	(10)
Total accumulated depreciation	(4,734)	(662)	680	(4,716)
Total depreciable assets, net	14,170	1,227	(476)	14,921
Component Unit, capital assets, net	\$ 41,210	\$ 2,292	\$ (705)	\$ 42,797

Notes to the Financial Statements

(Continued)

Depreciation expense was charged to governmental functions in the government-wide financial statements for the year ended June 30, 2017 as follows (in thousands):

General Government	\$	9,419
Criminal Justice		168
Public Safety		32,383
Transportation		88,946
Community Enrichment		32,623
Community Development		9,706
Environmental Services		8,371
	\$	<u>181,616</u>

The amount of net enterprise fund interest cost capitalized for the year ended June 30, 2017, was as follows (in thousands):

Aviation	\$	224
Convention Center		—
Water System		10,561
Wastewater		3,412
Solid Waste		321
	\$	<u>14,518</u>

Closed Facilities

The Cave Creek Water Reclamation Plant was closed temporarily in fiscal year 2010 and is expected to re-open in fiscal year 2020 due to expected demand increases. Therefore, no impairment loss will be recognized. The carrying value of the assets at June 30, 2017 is \$32.3 million.

Notes to the Financial Statements
(Continued)

10. Long-Term Obligations

Changes in long-term obligations during fiscal year 2016-17 are summarized as follows (in thousands):

	Balances July 1	Additions (1)	Reductions (1) (2)	Balances June 30	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 1,305,320	\$ 289,090	\$ 416,080	\$ 1,178,330	\$ 49,185
Revenue Bonds/Bank Loans	305,940	—	—	305,940	—
Municipal Corporation Obligations	563,630	190,330	163,360	590,600	84,580
Special Assessment Bonds	114	—	18	96	19
	<u>2,175,004</u>	<u>479,420</u>	<u>579,458</u>	<u>2,074,966</u>	<u>133,784</u>
Discounts/Premiums	65,478	96,908	22,676	139,710	—
Total Bonds and Notes Payable	<u>2,240,482</u>	<u>576,328</u>	<u>602,134</u>	<u>2,214,676</u>	<u>133,784</u>
Other Liabilities:					
Insurance Claims Payable	155,872	30,848	32,512	154,208	46,498
Accrued Compensated Absences	145,208	145,864	145,208	145,864	17,951
Utility/Water Contractual Agreements	2,301	—	—	2,301	—
Pollution Remediation	14,593	—	3,714	10,879	230
Capital Lease	6,633	—	1,047	5,586	1,070
Net Pension	3,326,136	1,695,579	1,145,962	3,875,753	—
Total Other Liabilities	<u>3,650,743</u>	<u>1,872,291</u>	<u>1,328,443</u>	<u>4,194,591</u>	<u>65,749</u>
Total Governmental Activities	<u>\$ 5,891,225</u>	<u>\$ 2,448,619</u>	<u>\$ 1,930,577</u>	<u>\$ 6,409,267</u>	<u>\$ 199,533</u>
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 31,395	\$ 5,430	\$ 13,750	\$ 23,075	\$ 2,435
Revenue Bonds/Bank Loans	14,972	—	965	14,007	993
Municipal Corporation Obligations	3,884,414	645,185	857,930	3,671,669	158,714
	<u>3,930,781</u>	<u>650,615</u>	<u>872,645</u>	<u>3,708,751</u>	<u>162,142</u>
Discounts/Premiums	282,330	111,912	55,058	339,184	—
Cumulative Capital Appreciation on State of AZ Distrib. Revenue Bonds	111,676	—	—	111,676	—
Total Bonds and Notes Payable	<u>4,324,787</u>	<u>762,527</u>	<u>927,703</u>	<u>4,159,611</u>	<u>162,142</u>
Other liabilities:					
Accrued Compensated Absences	19,297	20,120	19,297	20,120	2,693
Accrued Landfill Closure and Postclosure Care Costs	62,757	2,168	2,587	62,338	2,592
Pollution Remediation	2,375	—	175	2,200	—
Net Pension	619,366	191,515	217,262	593,619	—
Total Other Liabilities	<u>703,795</u>	<u>213,803</u>	<u>239,321</u>	<u>678,277</u>	<u>5,285</u>
Total Business-Type Activities	<u>\$ 5,028,582</u>	<u>\$ 976,330</u>	<u>\$ 1,167,024</u>	<u>\$ 4,837,888</u>	<u>\$ 167,427</u>
Component Units					
Phoenix Housing Finance Corporations					
Notes Payable	\$ 38,901	\$ 2,946	\$ 1,290	\$ 40,557	\$ —
Total Component Units	<u>\$ 38,901</u>	<u>\$ 2,946</u>	<u>\$ 1,290</u>	<u>\$ 40,557</u>	<u>\$ —</u>

(1) Included in additions and reductions for bonds and notes are new bond issuances and principal payments.

(2) For the Governmental Activities, Insurance Claims Payable, Compensated Absences and Pollution Remediation are generally liquidated by the General Fund. Net Pension Liabilities are generally liquidated by the Enterprise Funds, General Fund and the following Special Revenue Funds: Transit, Municipal Court, Development Services, Grants, Public Housing, Other Restricted, Neighborhood Protection, Public Safety Enhancement and Parks and Preserves.

Notes to the Financial Statements
(Continued)

The amounts reported in the previous table have been reduced by deposits made with the City's fiscal agents for July 1, 2017 maturities, a portion of which is included in restricted assets for the enterprise funds. These deposits at June 30, 2017, were as follows (in thousands):

	Principal	Interest	Total
Governmental Funds			
General Obligation Bonds	\$ 70,300	\$ 26,084	\$ 96,384
Revenue Bonds/Bank Loans	—	4,268	4,268
Municipal Corporation Obligations	78,890	10,514	89,404
Special Assessment Bonds	—	2	2
	149,190	40,868	190,058
Enterprise Funds			
General Obligation Bonds	7,740	470	8,210
Municipal Corporation Obligations	149,565	99,172	248,737
	157,305	99,642	256,947
	\$ 306,495	\$ 140,510	\$ 447,005

Issues of long-term debt, excluding deferred gain/losses on refundings, net of \$53.5 million and accumulated appreciation on State of Arizona distribution revenue bonds (\$111.7 million) were as follows at June 30, 2017 (dollars in thousands):

Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding (1)	Interest Outstanding (1)	Unamortized Discount (Premium)
General Obligation Bonds								
03/01/04	Various Improvements (3)	7/1/10-28	4.22	16.3	200,000	14,720	4,858	(57)
10/27/09	Various Improv - Taxable 2009A (2)(14)	7/1/20-34	3.42	18.4	280,955	280,955	157,278	—
10/27/09	Various Improvements - Taxable 2009B	7/1/15-20	3.97	7.9	69,045	30,670	2,108	—
10/27/09	Refunding 2009C	7/1/11-23	2.70	6.7	117,195	37,330	5,173	(487)
06/12/12	Various Improvements 2012A	7/1/23-34	3.55	17.2	103,360	103,360	47,815	(3,114)
06/12/12	Various Improvements - Taxable 2012B	7/1/21-23	2.76	9.8	16,640	16,640	2,140	—
06/12/12	Refunding 2012C	7/1/15-27	2.39	9.2	176,465	145,195	28,993	(10,080)
06/24/14	Refunding	7/1/19-27	2.71	9.5	278,015	278,015	70,837	(20,130)
09/13/16	Refunding	7/1/18-27	1.74	9.0	226,215	226,215	90,422	(55,017)
06/21/17	Refunding	7/1/18-27	1.52	3.4	68,305	68,305	11,257	(8,054)
	Total General Obligation Bonds				\$ 1,536,195	\$ 1,201,405	\$ 420,881	\$ (96,939)
Revenue Bonds/Bank Loans								
05/26/10	Wastewater Revenue	7/1/10-18	2.97	5.3	6,000	611	18	—
08/03/10	Wastewater Revenue	7/1/18-26	2.97	12.0	6,287	6,287	946	—
04/11/11	Water Revenue	7/1/16-24	2.97	9.4	2,093	1,703	205	—
06/01/11	Wastewater Revenue	7/1/26-29	2.97	16.6	3,909	3,909	1,224	—
09/14/11	Water Revenue	7/1/24-29	2.97	15.8	1,497	1,497	444	—
08/12/15	Hotel (4b)(15)	7/1/21-45	2.84	19.8	305,940	305,940	66,331	—
	Total Revenue Bonds				325,726	319,947	69,168	—

(Continued)

Notes to the Financial Statements

(Continued)

Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding (1)	Interest Outstanding (1)	Unamortized Discount (Premium)
Municipal Corporation Obligations								
08/01/01	Water System Refunding (3)(5)	7/1/02-24	4.68	14.1	99,980	42,565	9,773	(730)
06/02/04	Rental Car Facility (Taxable) (3)(9)	7/1/07-29	6.20	16.5	260,000	176,255	79,050	—
10/06/05	State Distribution Revenue 2005B (3)(11)	7/1/12-44	4.72	28.9	275,362	260,124	489,811	(18,588)
06/18/08	Airport Revenue 2008A (Non-AMT)(3)(6a)	7/1/20-38	5.02	22.5	206,840	206,840	138,997	(401)
06/18/08	Airport Revenue 2008B (AMT)(3)(6a)	7/1/12-19	4.68	7.8	43,160	12,480	991	(93)
06/18/08	Airport Revenue Ref 2008C (Non-AMT)(3)(6a)	7/1/09-22	4.26	8.0	109,850	45,760	6,729	(579)
06/18/08	Airport Revenue Ref 2008D (AMT)(3)(6a)	7/1/09-20	4.58	5.6	68,520	13,940	1,463	(175)
11/18/08	Wastewater System Revenue Ref (7a)	7/1/16-24	5.02	11.9	133,400	103,870	25,615	(1,800)
06/02/09	Water System Revenue 2009A (5)	7/1/14-39	4.63	20.5	450,000	22,415	1,695	(17)
06/02/09	Water System Revenue Refunding 2009B (5)	7/1/10-19	2.78	6.0	90,295	22,235	1,542	(550)
09/01/10	Airport Revenue 2010A (Non-AMT)(3)(6b)(12)	7/1/13-40	4.69	19.0	642,680	558,890	382,318	(16,773)
09/01/10	Airport Rev 2010B (Tax) (3)(6b)(12)(13)(14)	7/1/2040	3.67	29.8	21,345	21,345	32,402	—
09/01/10	Airport Revenue Ref 2010C (Non-AMT)(3)(6b)	7/1/23-25	4.33	13.9	32,080	32,080	11,280	(1,238)
06/07/11	Excise Tax Revenue 2011A (4a)	7/1/14-31	2.86	7.6	27,530	14,315	2,615	(805)
06/07/11	Excise Tax Revenue (Taxable) 2011B (4a)	7/1/15-36	4.86	13.1	59,195	47,710	22,473	—
06/07/11	Excise Tax Revenue Refunding 2011C (4a)	7/1/21-28	3.79	12.6	24,305	24,305	7,733	(1,519)
06/07/11	Excise Tax Revenue Ref (Taxable) 2011D (4a)	7/1/15-21	3.91	7.6	22,805	16,425	1,519	—
06/07/11	Multipurpose Arena Ref (Taxable) 2011 (4b)	7/1/12-19	3.71	5.1	27,500	8,240	532	—
11/22/11	Water System Revenue Refunding (5)	7/1/14-26	3.12	9.3	167,510	127,695	33,218	(10,369)
12/22/11	Wastewater System Revenue Ref (7b)	7/1/14-24	2.58	8.4	118,290	95,575	17,838	(7,507)
06/21/12	Excise Tax Revenue Refunding 2012 (4a)	7/1/14-29	2.97	9.7	15,205	8,500	3,884	(1,261)
06/21/12	Excise Tax Revenue Refunding 2012A (4b)	7/1/14-25	2.30	6.7	17,510	9,805	1,930	(940)
06/21/12	Excise Tax Revenue Ref 2012B (Taxable) (4b)	7/1/16-33	4.01	13.7	33,095	30,820	11,859	—
03/05/13	Airport Revenue Ref (AMT)(3)(6a)	7/1/14-32	3.28	11.8	196,600	168,640	75,068	(21,621)
07/16/13	Transit Excise Tax Refunding (10)	7/1/14-20	2.01	4.6	328,920	183,540	18,155	(10,219)
04/15/14	Wastewater System Refunding (7b)	7/1/15-29	3.00	9.4	127,810	112,690	39,028	(13,439)
12/17/14	Water System Revenue 2014A (5)	7/1/19-44	3.76	19.7	152,830	152,830	127,161	(20,229)
12/17/14	Water System Rev Refunding 2014B (5)	7/1/16-29	2.64	9.7	445,085	426,770	147,317	(57,369)
05/12/15	Excise Tax Rev Refunding 2015A (4b)(8)	7/1/17-41	3.56	16.2	319,305	313,670	224,146	(46,895)
05/12/15	Excise Tax Rev Ref 2015B (Taxable) (4b)	7/1/16-35	3.35	10.2	60,895	56,560	16,973	—
12/15/15	Airport Revenue 2015A (Non-AMT)(3)(6b)(12)	7/1/16-45	3.99	18.6	95,785	93,435	79,755	(10,643)
12/15/15	Airport Rev Ref 2015B (Non-AMT)(3)(6b)(12)	7/1/2034	4.08	18.5	18,655	18,655	15,857	(2,244)
11/16/16	Wastewater System Rev Refunding (7b)	7/1/17-35	2.89	11.3	225,325	224,175	120,522	(43,486)
01/10/17	Water System Rev Refunding 2016 (5)	7/1/17-39	3.59	15.1	375,780	374,705	273,586	(59,441)
06/01/17	Excise Tax Revenue 2017A (4b)	7/1/18-32	2.16	6.8	116,835	116,835	34,740	(16,820)
06/01/17	Excise Tax Rev Refunding 2017B (4b) (8)	7/1/19-29	2.02	6.3	101,895	101,895	29,981	(16,204)
06/01/17	Excise Tax Rev Ref (Taxable) 2017C (4b)	7/1/18-22	2.04	3.1	15,680	15,680	908	—
Total Municipal Corporation Obligations					5,527,857	4,262,269	2,488,464	(381,955)
Special Assessment Bonds								
Various	Unredeemed Matured Bonds	—	—	—	44	44	—	—
2008	Various Improvements	1/1/09-18	6.90	10.0	22	2	—	—
2010	Various Improvements	1/1/11-20	6.90	10.0	163	50	5	—
Total Special Assessment Bonds					229	96	5	—
Total Primary Government Bonds					\$7,390,007	\$ 5,783,717	\$ 2,978,518	\$ (478,894)

- (1) Pledged revenues on all outstanding bonds are at least equal to the remaining principal and interest outstanding. Additional information relating to pledged revenues can be found in the Debt Capacity Statistical Section, Table 17 "Pledged-Revenue Bond Coverage."
- (2) Represents bonds issued as "Qualified Build America Bonds (Direct Pay)" (BABs) for purposes of the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986. The City expects to receive semiannual cash subsidy payments in an amount equal to 35% of the interest payable each respective interest payment date.
- (3) Enhanced by a municipal bond insurance policy, a reserve account surety bond, or a debt service reserve fund.
- (4) The City has pledged excise taxes as security. The taxes pledged are as follows:
 - (a) Senior lien pledge on all outstanding excise tax obligations.
 - (b) Subordinated junior lien pledge on all outstanding excise tax obligations.

Notes to the Financial Statements (Continued)

- (5) The City has made a junior lien pledge of Water System revenues as security.
- (6) The City has pledged net airport revenues as security for these bonds. The net revenues pledged are as follows:
 - (a) Senior lien pledge on all outstanding airport obligations.
 - (b) Junior lien pledge on all outstanding airport obligations.
- (7) The City has pledged Wastewater System revenues as security for these bonds. The revenues pledged are as follows:
 - (a) Senior lien pledge on all outstanding Wastewater System obligations.
 - (b) Junior lien pledge on all outstanding Wastewater System obligations.
- (8) The City has pledged excise taxes on a subordinated junior lien basis as security; however, a portion of debt service requirements on these obligations are paid from Solid Waste revenues.
- (9) The City has made a first priority pledge of a \$4.50 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bonds.
- (10) The City has made a first priority pledge of funds received by the City from a 0.4% increase to the City's privilege license (sales) tax, which was approved at a special election held on March 14, 2000. On August 21, 2015, voters approved a 0.3% increase to the tax for a total of 0.7%. Only the revenue collected from the original 0.4% transit sales tax is currently pledged to the Transit Excise Tax Bonds.
- (11) The primary source of revenue for loan payments is State of Arizona distributions the City is to receive pursuant to legislation passed in 2003 authorizing up to fifty percent State funding for certain convention center developments in the State. The schedule of State Distributions will be sufficient to make loan payments when due.
- (12) The City has further pledged an irrevocable commitment of 100% of net proceeds of a passenger facility charge for the debt service due on or before July 1, 2021 on these bonds, with the exception of the Series 2015A bonds. The Series 2015A bonds have a pledge equivalent to 30% of the principal and interest requirement for debt service due on or before July 1, 2021. The Passenger Facility Charge is currently imposed at the rate of \$4.50 per qualifying enplaned passenger.
- (13) Represents bonds issued as "Recovery Zone Economic Development Bonds" (RZEDB) for purposes of the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986. The City expects to receive semiannual cash subsidy payments in an amount equal to 45% of the interest payable each respective interest payment date.
- (14) On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy by 6.9% (the "Sequester Reductions") in FY 2017. However, the City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on the BABs and the RZEDB bonds.
- (15) Assumes the City will retire or refinance the loan before July 1, 2025. If the loan is not retired or refinanced before July 1, 2025, any unpaid principal remaining at that time will convert to a variable rate loan, at 9.2% per annum for a 180-day period and, thereafter, a variable rate with a maximum rate of 15% per annum. Additionally, principal payments on or after July 1, 2025 will become due semi-annually until the final maturity of July 1, 2045, as long as no event of default has occurred.

The City has complied with all significant financial covenants of its bonded indebtedness. A brief description of the City's long-term obligations follows.

General Obligation Bonds

As a general rule, the City has given priority to using general obligation bonds for capital programs of general government departments (non-enterprise departments). These include cultural facilities, fire, police, library, parks and recreation, mountain preserves, storm sewers, streets and transportation. The annual debt service on these bonds is paid from secondary property taxes. Under State law, the City's secondary property tax levy can only be used for payment of principal and interest on long-term debt.

- In September 2016, the City issued \$226.2 million of General Obligation Refunding Bonds, Series 2016. Proceeds of the bonds refunded \$276.1 million of outstanding general obligation bonds. The bonds have an average life of 9.0 years, were sold at an all-in true interest cost of 1.74% and produced present value savings, net of transaction costs, of \$33.0 million.
- In June 2017, the City issued \$68.3 million of General Obligation Refunding Bonds, Series 2017. Proceeds of the bonds refunded \$75.7 million of outstanding general obligation bonds. The bonds have an average life of 3.4 years, were sold at an all-in true interest cost of 1.52% and produced present value savings, net of transaction costs, of \$8.3 million.

Revenue Bonds/Bank Loans

In addition to general obligation bonds, under Arizona State law the City is authorized to issue voter-approved highway user revenue and utility revenue bonds. The City currently does not have any outstanding voter-approved highway user revenue or utility revenue bonds.

Effective November 19, 2009, Arizona state legislation was passed that allows a city or town, during fiscal years 2009-10 and 2010-11, to enter into a financial loan repayment agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) without voter approval, if the agreement is financed with funding made available to

Notes to the Financial Statements

(Continued)

WIFA under the American Recovery and Reinvestment Act of 2009 (ARRA). The City has entered into various loan agreements with WIFA. Loan proceeds received by the City from WIFA pursuant to the ARRA will be used to fund various capital projects of the Water and Wastewater systems of the City.

In August 2015, the City entered into a loan agreement with DNT Asset Trust, a subsidiary of JP Morgan Chase Bank, N.A., (the "Loan") for \$305.9 million. The Loan is payable from and secured by a subordinated lien on the City's excise tax revenues on parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

Municipal Corporation Obligations

The City has entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the "CIC") an affiliated nonprofit corporation, for the construction and acquisition of certain facilities and equipment. Under the terms of these agreements, the CIC issued bonds to finance the facilities and equipment, and the City agreed to make lease and purchase payments sufficient to pay principal and interest on the outstanding obligations. The City also pays all expenses of operating and maintaining the facilities and equipment.

- In November 2016, the CIC issued \$225.3 million of Junior Lien Wastewater System Revenue Refunding Bonds, Series 2016. Proceeds of the bonds refunded \$262.4 million of Junior Lien Wastewater System Revenue Bonds, Series 2007. The bonds have an average life of 11.3 years, were sold at an all-in true interest cost of 2.89% and produced present value savings, net of transaction costs, of \$55.6 million.
- In January 2017, the CIC issued \$375.8 million of Junior Lien Water System Revenue Refunding Bonds, Series 2016. Proceeds of the bonds refunded \$397.8 million of Junior Lien Water System Revenue Bonds, Series 2009A. The bonds have an average life of 15.1 years, were sold at a true interest cost of 3.59% and produced present value savings, net of transaction costs, of \$25.1 million.
- In June 2017, the CIC issued \$116.8 million of Subordinated Excise Tax Revenue Bonds, Series 2017A. Proceeds of the bonds will be used to fund certain projects, property and equipment and for acquiring, constructing, equipping and improving real and personal property for the City. The bonds have an average useful life of 6.8 years and were sold at an all-in true interest cost of 2.16%.
- In June 2017, the CIC issued \$101.9 million of Subordinated Excise Tax Revenue Refunding Bonds, Series 2017B. Proceeds of the bonds refunded \$80.7 million of Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007, and \$36.4 million of Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B. The bonds have an average life of 6.3 years, were sold at an all-in true interest cost of 2.02% and produced present value savings, net of transaction costs, of \$17.0 million.
- In June 2017, the CIC issued \$15.7 million of Subordinated Excise Tax Revenue Refunding Bonds, Series 2017C (Taxable). Proceeds of the bonds refunded \$15.5 million of Subordinated Excise Tax Revenue Refunding Bonds, Series 2007C (Taxable). The bonds have an average life of 3.1 years, were sold at an all-in true interest cost of 2.04% and produced present value savings, net of transaction costs, of \$1.7 million.

Special Assessment Bonds

Proceeds from special assessment bonds are used for improvements such as paving, sidewalks and sewers. Payments made by the assessed property owners are pledged to pay debt service on the bonds. In the event of default by a property owner, the lien created by the assessment is sold at public auction and the proceeds are used to offset the defaulted assessment. If there is no purchase at the public auction, the City is required to buy the property with funds appropriated from the General Fund.

Component Units

Various Phoenix Housing Finance Corporations have entered into loan agreements with the City for the purpose of financing housing projects. These projects include a mix of affordable housing and market rate units. The outstanding balance on these loans at June 30, 2017 is \$40.6 million.

Notes to the Financial Statements

(Continued)

Debt Service Requirements

Debt service requirements, including principal, interest and reserve contributions are as follows (in thousands):

City of Phoenix Bonds - Governmental Activities									
Fiscal Years	General Obligation		Revenue Obligations/Bank Loans (1)		Municipal Corporation Obligations		Special Assessment Bonds		Debt Service Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 49,185	\$ 52,058	\$ —	\$ 8,512	\$ 84,580	\$ 27,360	\$ 63	\$ 3	\$ 221,761
2019	57,460	49,845	—	8,512	98,425	22,801	17	2	237,062
2020	68,825	47,385	—	8,536	104,360	18,369	16	1	247,492
2021	84,285	44,561	6,650	8,536	34,985	13,501	—	—	192,518
2022	87,845	41,219	6,840	8,350	33,800	11,952	—	—	190,006
2023-27	598,115	140,297	292,450	23,885	139,895	37,634	—	—	1,232,276
2028-32	164,830	38,785	—	—	73,430	12,723	—	—	289,768
2033-37	67,785	4,836	—	—	21,125	2,227	—	—	95,973
	<u>\$ 1,178,330</u>	<u>\$ 418,986</u>	<u>\$ 305,940</u>	<u>\$ 66,331</u>	<u>\$ 590,600</u>	<u>\$ 146,567</u>	<u>\$ 96</u>	<u>\$ 6</u>	<u>\$ 2,706,856</u>
Authorized	\$ 2,790,760								
Unissued	\$ 152,355								
Interest Rates	2.0 - 5.5%								

City of Phoenix Bonds - Business-Type Activities							
Fiscal Years	General Obligation		Revenue Obligations/Bank Loans		Municipal Corporation Obligations		Debt Service Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 2,435	\$ 767	\$ 993	\$ 416	\$ 158,714	\$ 191,454	\$ 354,779
2019	7,275	645	1,023	386	175,185	183,880	368,394
2020	12,350	419	1,053	356	182,575	175,705	372,458
2021	685	47	1,084	325	186,761	166,922	355,824
2022	330	17	1,116	292	196,418	157,797	355,970
2023-27	—	—	6,099	945	953,600	639,708	1,600,352
2028-32	—	—	2,639	117	724,044	421,860	1,148,660
2033-37	—	—	—	—	602,108	263,519	865,627
2038-42	—	—	—	—	417,244	116,545	533,789
2043-47	—	—	—	—	75,020	24,507	99,527
	<u>\$ 23,075</u>	<u>\$ 1,895</u>	<u>\$ 14,007</u>	<u>\$ 2,837</u>	<u>\$ 3,671,669</u>	<u>\$ 2,341,897</u>	<u>\$ 6,055,380</u>
Authorized	\$ 248,399						
Interest Rates	2.0 - 5.5%						

(1) Assumes the City will retire or refinance the loan before July 1, 2025. If the loan is not retired or refinanced before July 1, 2025, any unpaid principal remaining at that time will convert to a variable rate loan, at 9.2% per annum for a 180-day period and, thereafter, a variable rate with a maximum rate of 15% per annum. Additionally, principal payments on or after July 1, 2025 will become due semi-annually until the final maturity of July 1, 2045, as long as no event of default has occurred.

Accrued Landfill Closure and Postclosure Care Costs

The Solid Waste Enterprise Fund (“Solid Waste”) currently operates one landfill, the SR-85 Landfill, and monitors five additional closed landfills. Federal and state regulations require that certain postclosure care costs be incurred to maintain and monitor closed landfills for thirty years after closure to mitigate and prevent future environmental damage. In addition, numerous costs are incurred in the process of closing a landfill. These closure costs include the capping of the landfill with soil, installing such items as drainage and monitoring systems, and remediation of any environmental damage caused by the landfill. These costs are estimated based on what it would cost to perform all closure and postclosure care for the landfills at June 30, 2017 and are subject to change due to inflation, technology changes and applicable legal or regulatory requirements.

Total closure and postclosure care costs for the five closed landfills are currently estimated to be \$144.8 million, including \$92.6 million that has already been paid out and an estimated \$52.3 million that will be paid out in future years as postclosure care efforts continue. The entire unpaid amount has been reported as a liability in the accompanying financial statements. The accrual for these costs was decreased by \$2.4 million during fiscal 2016-17 in connection with these landfills.

Notes to the Financial Statements (Continued)

Total closure and postclosure care costs for the SR-85 Landfill are currently estimated to be \$46.8 million, including \$3.1 million that has already been paid out and an estimated \$43.6 million that will be paid out in future years. \$10.9 million of this has been recorded as a liability on the accompanying financial statements based on the use of approximately 25.0% of the estimated capacity of the landfill.

Of the liabilities discussed above, \$847 thousand is included in liabilities payable from restricted assets.

Certain environmental remediation costs associated with one of the closed landfills are recoverable from third parties. The City has recovered a total of \$29.0 million from third parties. These recoveries are used to reduce remediation expense in the year the recovery is assured. A total of \$7.8 million (which includes recoveries and applicable interest earnings) has been included in restricted assets on the enterprise fund balance sheet. Any postclosure care costs not recovered from third parties will be funded from revenues of the Solid Waste Enterprise Fund.

Pollution Remediation

The City has recorded pollution remediation liabilities in both the Governmental and Business-Type Activities. The liability in the Governmental Activities pertains to a leaking underground storage tank at the Glenrosa Service Center. The situation was identified by the City Public Works Department in 1986. The City created and has been implementing a corrective action plan which was approved by the Arizona Department of Environmental Quality (ADEQ), to ensure the contamination does not spread. As of June 30, 2017, the total remaining liability is \$10.9 million and it is estimated that the remediation will be completed in 82 years.

The liability in the Business-Type Activities is primarily a result of leaking underground storage tanks at the Sky Harbor International Airport and Phoenix Goodyear Airport. The tanks at Sky Harbor International Airport were discovered to be leaking in 1988 and the City is implementing a corrective action plan which was approved by the ADEQ to ensure the contamination does not spread. The remediation of a fuel release at Phoenix Goodyear Airport discovered in the 1980's is being implemented as approved by the United States Environmental Protection Agency (US EPA). The total remaining liability for all remediation activities at the City airports as of June 30, 2017 is \$2.2 million, and is recorded in the Aviation Enterprise Fund.

11. Refunded, Refinanced and Defeased Obligations

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Certain issues of bonds may be refunded prior to the call date, known as an advanced refunding.

Future principal and interest payments on refunded bonds have been provided through advanced refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued and guaranteed by the United States government, when available. When U.S. government securities are not available, conventional treasury securities will be purchased. These securities are then deposited in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds.

During fiscal year 2016-17, the City issued General Obligation Refunding Bonds, Series 2016; General Obligation Refunding Bonds, Series 2017; Junior Lien Wastewater Revenue Refunding Bonds, Series 2016, Junior Lien Water System Revenue Refunding Bonds, Series 2016; Subordinated Excise Tax Revenue Refunding Bonds, Series 2017B and Subordinated Excise Tax Revenue Refunding Bonds, Series 2017C (Taxable). The refunding bonds reduced the present value of future debt service payments. These savings were available due to improved municipal bond market conditions (i.e., lower interest rates) during the year.

Notes to the Financial Statements
(Continued)

The effects of the new money and refundings are summarized as follows (in thousands):

	City of Phoenix		Civic Improvement Corporation			
	General Obligation Bonds	General Obligation Bonds	Junior Lien Wastewater Revenue	Junior Lien Water Revenue	Subordinated Excise Tax	Subordinated Excise Tax
Series	2016	2017	2016	2016	2017B	2017C
Closing Date	09/13/16	06/21/17	11/16/16	01/10/17	06/01/17	06/01/17
Net Interest Rate	1.96%	1.42%	3.23%	3.93%	2.16%	1.94%
Refunding Bonds Issued	\$ 226,215	\$ 68,305	\$ 225,325	\$ 375,780	\$ 101,895	\$ 15,680
Premium	60,354	8,054	46,026	61,362	16,204	—
Underwriter's Discount	(1,028)	(64)	(939)	—	(166)	(42)
Issuance Costs and Insurance	(754)	(540)	(714)	(764)	(346)	(49)
Net Proceeds	\$ 284,787	\$ 75,755	\$ 269,698	\$ 436,378	\$ 117,587	\$ 15,589
Refunded Amount	\$ 276,135	\$ 75,655	\$ 262,400	\$ 397,810	\$ 117,110	\$ 15,515
Decrease in Debt Service	\$ 27,322	\$ 8,893	\$ 78,339	\$ 29,140	\$ 17,645	\$ 1,777
Economic Gain	\$ 32,991	\$ 8,280	\$ 55,585	\$ 25,107	\$ 16,958	\$ 1,688
Number of Years Affected	11	11	21	28	13	6

The deferred and amortized amounts of accounting gains/losses on bond refundings (which are deferred outflows/inflows of resources) at June 30, 2017, are summarized as follows (in thousands):

	Deferred Amount July 1	Additions (Gains)/Losses	Reductions due to Refundings	Amortization Gains/(Losses)	Deferred Amount June 30
General Government					
General Obligation	\$ 12,318	\$ 6,735	\$ (1,005)	\$ (2,797)	\$ 15,251
Civic Improvement Corporation	4,017	992	(1,407)	(1,024)	2,578
	<u>\$ 16,335</u>	<u>\$ 7,727</u>	<u>\$ (2,412)</u>	<u>\$ (3,821)</u>	<u>\$ 17,829</u>
Enterprise Funds					
Aviation					
General Obligation	\$ —	\$ —	\$ —	\$ —	\$ —
Civic Improvement Corporation	341	—	—	(27)	314
Convention Center					
Civic Improvement Corporation	5,237	431	(323)	(238)	5,107
Water					
General Obligation	271	—	—	(91)	180
Civic Improvement Corporation	7,783	22,083	—	(1,947)	27,919
Wastewater					
General Obligation	505	(42)	(32)	(167)	264
Civic Improvement Corporation	3,571	(617)	—	(577)	2,377
Solid Waste					
General Obligation	384	(64)	(105)	(149)	66
Civic Improvement Corporation	464	(1,307)	373	(49)	(519)
	<u>\$ 18,556</u>	<u>\$ 20,484</u>	<u>\$ (87)</u>	<u>\$ (3,245)</u>	<u>\$ 35,708</u>

Notes to the Financial Statements (Continued)

Advanced refunding and defeasance arrangements at June 30, 2017 were as follows (in thousands):

Date Refunded/ Defeased	Refunded and Defeased Bonds		Balance Outstanding	Assets Held in Trust (1)
	Issue Dates	Type		
01/10/17	06/02/09	Civic Improvement Corporation Junior Lien Water System Revenue Refunding Bonds	\$ 397,810	\$ 427,261

(1) Assets held in trust for advanced refunded bonds reflect the market value of those assets.

12. Legal Debt Margin

As discussed in Note 4, secondary property tax revenues are used to pay principal and interest on general obligation bonded indebtedness. Also discussed in Note 4 are the changes from Proposition 117 that established the use of a single limited property valuation for determining the primary net assessed valuation (PNAV). PNAV is now used to calculate both the primary and secondary property tax levies. Changes from Proposition 117 were effective in fiscal year 2015-16. For that one year, the City's debt limitation was also calculated using the PNAV.

Pursuant to Chapter 177, Laws of Arizona 2016, which became effective August 6, 2016, the City's debt limitation is once again based on the full cash net assessed valuation (FCNAV) instead of the PNAV. The FCNAV for tax year 2017 (fiscal year 2017-18) is \$15.4 billion.

Under Arizona law, outstanding general obligation bonded debt for combined water, sewer, light, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a city's FCNAV. Outstanding general obligation bonded debt for all other purposes may not exceed 6% of a city's FCNAV. The total debt margin available at July 1, 2017 was as follows (in thousands):

Six Percent Bonds	\$	695,511
Twenty Percent Bonds		2,041,066
Total Debt Margin Available	\$	<u>2,736,577</u>

13. Risk Management

The City maintained a combination of commercial insurance and self-insurance during the year ended June 30, 2017, as described below.

General Fund and Transit Special Revenue Fund

Liability - The City maintained a self-insured retention of \$7.5 million for most public entity liability exposures and a self-insured retention of \$5.0 million for transit operations. Excess liability coverage was purchased for losses that exceeded the self-insured retention. Airport operations as well as other specialty liability exposures were covered by specific commercial insurance policies.

Property - The City purchased blanket commercial property and boiler/machinery insurance for City owned buildings and structures. Other specialty property exposures were covered by specific commercial insurance policies.

Workers' Compensation - The City maintained a self-insured retention of \$10.0 million for its workers' compensation exposure. Excess workers' compensation insurance was purchased for losses exceeding the self-insured retention. Since July 1, 2010, contracted transit operators have been required to provide first-dollar liability and workers' compensation coverage. The City's exposure to Phoenix Transit's workers' compensation liability is in the run-off phase.

Notes to the Financial Statements
(Continued)

Fidelity and Surety - The City purchased certain public official bonds and surety bonds as required by state statute or City Charter. In addition, the City purchased coverage through a blanket "Crime" policy and a "cyber" insurance policy.

Unemployment Compensation Liability was self-insured. Basic life, commuter life, basic AD&D and occupational AD&D insurance were provided through commercial insurance.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on an actuarial analysis of reported claims and estimates of claims incurred but not reported.

With the exception of health, dental and long-term disability, the City reports its self-insurance activities in the General Fund, the Transit Special Revenue Fund (for transit related claims only) and the Government-Wide Statement of Net Position, with the other funds reimbursing the General Fund for their share of the cost of the City's self-insurance program. Settlements have not exceeded coverages for each of the last three fiscal years. At June 30, 2017, claims payable totaled \$154.2 million. Changes in this liability for the last two fiscal years follow (in thousands):

	Year Ended June 30	
	2017	2016
Claims Payable, July 1	\$ 155,872	\$ 123,731
Current Year Claims and Changes in Estimates	30,848	58,983
Claim Payments	(32,512)	(26,842)
Claims Payable, June 30	<u>\$ 154,208</u>	<u>\$ 155,872</u>

Claims that are expected to be paid with expendable available financial resources are accounted for in the General Fund. All other claims are accounted for in the Government-Wide Statement of Net Position. These balances were as follows (in thousands):

	June 30	
	2017	2016
Amounts due within one year	\$ 46,498	\$ 50,000
Amounts due in more than one year	107,710	105,872
	<u>\$ 154,208</u>	<u>\$ 155,872</u>

In addition, assets of \$86.0 million and \$1.6 million are held in the General Fund and Transit Special Revenue Fund, respectively, at June 30, 2017 for purposes of funding the claims liability reported in the Government-Wide Statement of Net Position. As a result, of the General Fund Balance, \$47.3 million is restricted, \$38.7 million is assigned for payment of claims, \$9.2 million is assigned for payment of insurance premiums and \$1.6 million of the Transit Special Revenue Fund Balance is restricted.

Fiduciary Funds

Health and Dental - The City health insurance plans were self-insured through the City of Phoenix Health Care Benefits Trust fiduciary fund. Stop loss coverage was purchased for individual losses exceeding \$1.0 million and aggregate losses exceeding \$247.2 million. Dental coverage was provided through two plans. Active dental PPO was self-insured through the City of Phoenix Health Care Benefits Trust. Active dental HMO and retiree dental HMO and PPO were provided through commercial insurance accounted for in the General Fund.

Long-Term Disability benefits were self-insured through the City of Phoenix Long-Term Disability Trust fiduciary fund. As a partially funded other post-employment benefit, no liability is reflected in the Government-Wide Statement of Net Position per GASB Statement No. 45. See Note 20 for additional information.

Notes to the Financial Statements
(Continued)

At June 30, 2017, claims payable totaled \$22.8 million. Changes in this liability for the last two fiscal years follow (in thousands):

	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Claims Payable, July 1	\$ 20,282	\$ 24,662
Current Year Claims and Changes in Estimates	189,813	199,841
Claim Payments	(187,333)	(204,221)
Claims Payable, June 30	<u>\$ 22,762</u>	<u>\$ 20,282</u>

Claims are accounted for in the Health Care Benefits Trust and the Long Term Disability Trust Fiduciary Funds Statements of Fiduciary Net Position. Claims are expected to be paid with expendable available financial resources. These balances were as follows (in thousands):

	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
Amounts due within one year	<u>\$ 22,762</u>	<u>\$ 20,282</u>

14. Leases

Operating Leases

The City's public housing program leases housing facilities that are, in turn, subleased to low income and elderly tenants. These lease obligations are subsidized by the federal government. Total rental expense for these leases was \$55.0 million for the fiscal year ended June 30, 2017.

The City also leases certain airport facilities to third parties. Minimum future rentals on non-cancelable operating leases at June 30, 2017 were as follows (in thousands):

Years Ending	
<u>June 30</u>	
2018	\$ 52,268
2019	32,239
2020	30,021
2021	27,590
2022	27,383
2023-2069	173,013
	<u>\$ 342,514</u>

The above amounts do not include contingent rentals, which also may be received under the airport facilities leases, primarily as a percentage of sales in excess of stipulated minimums. Contingent rentals amounted to \$14.6 million for the fiscal year ended June 30, 2017. A summary of the assets leased to third parties under the airport operating lease agreements at June 30, 2017 is as follows (in thousands):

Buildings	\$ 1,131,923
Less: Accumulated Depreciation	(623,391)
	<u>\$ 508,532</u>

Notes to the Financial Statements (Continued)

Capital Leases

In fiscal year 2016, the City entered into a capital lease for the purchase of fourteen fire trucks. Capital lease payments are recorded as expenditures when payable. The present value of future minimum payments is as follows (in thousands):

Years Ending	
<u>June 30</u>	
2018	1,070
2019	1,093
2020	1,117
2021	1,141
2022	1,165
	\$ 5,586

Service Concession Arrangements

On July 18, 2014, the City entered into a lease agreement with Arizona State University (ASU) to manage and collect revenues from the City's Papago Golf Course. The service concession arrangement is for 30 years and in exchange, ASU will make significant course improvements. The City will retain ownership of all assets at the end of the lease. Total costs of improvements have not been determined at June 30, 2017, therefore, the City has not fully determined the effect the service concession arrangement will have on the City's financial statements.

On November 24, 2014, the City entered into a lease agreement with Grand Canyon University (GCU) to manage and collect revenues from the City's Maryvale Golf Course. The service concession arrangement is for 30 years and in exchange, GCU invested a total of \$11.4 million in course and clubhouse improvements. The City will retain ownership of all assets at the end of the lease. As of June 30, 2017, the City has recorded \$10.4 million as a deferred inflows of resources on the financial statements. The deferred inflows of resources will be amortized and recognized as revenue over the term of the contract.

15. Contractual and Other Commitments

Public Transit

The City provides public transit service through the following private contractors: Transdev Services, Inc., First Transit Inc. and MV Transportation Service. In addition, the City purchases fixed route bus service from the Regional Public Transportation Authority "RPTA" and light rail service from Valley Metro Rail "VMRI". The services provided by these contractors, the expiration dates of the current agreements and the estimated contract amount to be provided by the City through June 30, 2017 are as follows (in thousands):

<u>Contractor</u>	<u>Type of Service</u>	<u>Expiration Date</u>	<u>Estimated Annual Subsidy</u>
MV Transportation Service	Dial-a-Ride	June 30, 2024	\$ 15,336
First Transit Inc.	Fixed Route Bus Service	June 30, 2018	31,729
Transdev Services, Inc.	Fixed Route Bus Service	June 30, 2020	83,025
Valley Metro Rail	Light Rail Service	June 30, 2018	28,644
Regional Public Transportation Authority	Fixed Route Bus Service	June 30, 2018	4,407
			\$ 163,141

Approximately 10.1% of the total net transit costs, excluding light rail service, will be reimbursed to the City by adjacent communities and the RPTA. In addition, the City will apply for funding to support daily operations from the Department of Transportation, Federal Transit Administration. This grant is expected to fund approximately

Notes to the Financial Statements (Continued)

4.6% of the total transit costs for fiscal 2017-18. The City has been the designated recipient for these grants since 1975.

Other Contracts

The City's enterprise funds have entered into various construction contracts and these commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements. The following funds have remaining commitments at June 30, 2017, as follows (in thousands):

Aviation	\$	305,217
Phoenix Convention Center		1,089
Water System		137,501
Wastewater		103,218
Solid Waste		15,971
	\$	<u>562,996</u>

Encumbrances

Governmental fund encumbrances at June 30, 2017, were as follows (in thousands):

General Fund	\$	41,259
Transit Special Revenue Fund		112,012
Non-Major Funds		129,306
	\$	<u>282,577</u>

16. Contingent Liabilities

Pending Litigation

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. As discussed in Note 13, the City is primarily self-insured, and has accrued a liability for estimated claims outstanding. As with any risk retention program, however, the City is contingently liable with respect to claims beyond those currently accrued. In the opinion of City management, based on the advice of the City Attorney, the outcome of such claims will not have a material adverse effect on the City's financial position, results of operations or liquidity at June 30, 2017.

Public Housing Notes Payable

Excluded from the City's long-term obligations in the accompanying financial statements are Public Housing Notes Payable. These obligations were incurred in connection with the City's public housing activities, but are entirely supported by the federal government. The City would be obligated to pay the debt service on these notes only in the event of default by the federal government. The outstanding balances on these notes at June 30, 2017 were \$98 thousand.

Sick Leave

Sick leave is generally accumulated at the rate of 15 days per year and can only be taken in the event of illness. Upon retirement, employees may be eligible to convert a portion of their sick leave balance to pay as described below.

Police who have accumulated 900 qualifying hours or more of unused sick leave at the time of normal service retirement are eligible to receive a payment equal to 35% or more (depending on the number of qualifying hours) of their base hourly rate for hours in excess of 450 hours.

Firefighters who have accumulated 900 qualifying hours or more of unused sick leave at the time of normal service retirement (1,260 qualifying hours or more for employees not on a 40 hour per week work schedule) are eligible to receive a payment equal to 35% or more (depending on the number of qualifying hours) of their base hourly rate for hours in excess of 450 hours (630 hours for employees not on a 40 hour per week work schedule).

Notes to the Financial Statements (Continued)

Supervisory and Professional, Confidential Office and Clerical, Field Unit 1, Field Unit 2, and Field Unit 3 employees who have accumulated 750 qualifying hours or more of unused sick leave at the time of normal service retirement are eligible to receive a payment equal to their base hourly rate for 25% of the hours in excess of 250 hours. Middle management and Executive General City employees who have accumulated 750 qualifying hours or more of accrued or unused sick leave at the time of normal service retirement are eligible to receive a payment up to 20% of their base hourly rate. Sworn Police and Fire Middle Managers and Executives who have accumulated 1,000 qualifying hours or more of accrued or unused sick leave at the time of normal service retirement (1,400 for 56-hour employees) are eligible to receive a payment up to 40% of their base hourly rate of hours in excess of 500 hours (700 for 56-hour employees). Payment percentage is increased by 1% for each full year of service in excess of 20 years to a maximum of 50%.

Sick leave is accrued as a liability as it is earned by the employees if it is probable that the employees will be compensated through cash payments at retirement. Accordingly, a portion of the sick leave accumulated by police, firefighters, and general employees as described above has been accrued as a liability in the accompanying financial statements. The June 30, 2017, actuarial valuation of the sick leave liability was based on the termination payment method and includes other amounts that are directly and incrementally related to those payments such as the City's share of social security, as applicable.

The sick leave benefit balances (both accrued and unaccrued) at June 30 were as follows (in thousands):

	<u>2017</u>
General	\$ 161,193
Police	106,705
Fire	41,710
	<u>309,608</u>
Less: Amounts Accrued as a Liability	(77,563)
	<u>\$ 232,045</u>

Liabilities Under Grants

The City participates in a number of federal and state-assisted grant programs. The audits of these programs for earlier years and the year ended June 30, 2017 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. City management believes any such claims would be immaterial to the City's financial position at June 30, 2017.

Verde Water Treatment Plant

In December 2011, Verde Water Treatment Plant (VWTP) closed. The VWTP had a total treatment capacity of 50 mgd. The Salt River Pima Maricopa Indian Community land lease for the VWTP expired on December 31, 2014 and will not be renewed. According to the lease agreement, the City is responsible to restore the land to its native state. The City is currently in negotiations with the Salt River Pima Maricopa Indian Community to determine the outcome resulting from the restoration.

17. Tax Abatements

GASB Statement No. 77 defines a tax abatement and requires disclosure about reporting a government's own tax abatement agreements and those agreements entered into by other governments that reduce the reporting government's tax revenues. These changes were incorporated in the City's 2017 financial statements.

As of June 30, 2017, the City of Phoenix provides tax incentives through Government Property Lease Excise Tax (GPLET) authority. Pursuant to Arizona Revised Statutes 42-6201, the State of Arizona established the GPLET as a redevelopment tool by reducing a project's operating costs by replacing the real property tax with an excise tax. Under the state statute, an excise tax is established for the building type of use and is calculated on the gross square footage of the building. The excise tax rate can be abated for the first eight years after a certificate of occupancy on the building

Notes to the Financial Statements
(Continued)

is issued as long as the property is located within a Central Business District and Redevelopment Area, and increases the value of the property by more than 100 percent. Pursuant to change adopted in 2010, the use of the excise tax is limited to a maximum of 25 years and requires the land and improvements conveyed to a government entity and leased back for private use. Another program of the City also reimburses certain transaction privilege taxes as a redevelopment tool to initiate economic development. Below is information relevant to the disclosure of those programs for the year ended June 30, 2017:

<i>City of Phoenix Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i>		Required Disclosure	
1)	Name of Program	Government Property Lease Excise Tax (GPLET)	Transaction Privilege Tax Reimbursement
2)	Purpose of Program	Redevelopment tool to initiate development by reducing a project's operating costs by replacing the real property tax with an excise tax.	Redevelopment tool to initiate development by reducing a project's public infrastructure development costs by reimbursing the project for a percentage of transaction privilege taxes generated by the project after the revenue is generated and the infrastructure has been constructed and accepted by the City.
3)	Tax Being Abated	Real Property Tax	Transaction Privilege Taxes
4)	Authority under which abatement agreements are entered into	Arizona Revised Statutes (ARS) Title 42, Chapter 6, Article 6, Sections 42-6201, 42-6203, 42-6208, and 42-6209.	City Council approval of development agreements.
5)	Criteria to be eligible to receive abatement	1) Taxes may be abated for a limited period beginning at the time the certificate of occupancy is issued and ending eight years after the certificate of occupancy is issued on a government property improvement. 2) The improvement is located in a single central business district in the city or town and is subject to a lease or development agreement. 3) The government property improvement resulted or will result in an increase in property value of at least 100%.	1) Provide significant new job creation, and capital investment with the development, including the construction of public infrastructure if necessary, that would otherwise not occur.
6)	How recipients' taxes are reduced	Real Property Tax is replaced by an Excise Tax.	Transaction privilege taxes that are generated by the project are reimbursed to the project based on performance requirements.
7)	How amount of abatement is determined	100% Excise Tax Reduction.	The percentage of taxes reimbursed is determined in the development agreement by the scale of development and/or job creation and the public infrastructure needed.
8)	Provisions for recapturing abated taxes	N/A	N/A
9)	Types of commitments made by the City other than to reduce taxes	N/A	N/A
10)	Gross Dollar Amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	2017 (in thousands)	
		\$3,431	\$266

18. Joint Use Agreements

Valley Metro Rail, Inc. "VMRI"

The City currently participates with the cities of Tempe, Mesa, Chandler, and Glendale in a joint powers agreement for the design, construction and operation of a light rail transit system. Valley Metro Rail, Inc. "VMRI" is the management agency that was incorporated to administer the joint powers agreement between the cities. VMRI has oversight responsibility for the planning, designing, construction and operation of a regional mass transit light rail system. The agreement provides voting rights for members of the representative cities related to strategic initiatives including passage of an annual budget.

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project less any Federal reimbursements and operating fares. The City's share of costs is determined based on the number of rail mileage located within each City, plus dedicated local costs. The equity interest for the City at June 30, 2017, was \$870.2 million.

Notes to the Financial Statements (Continued)

Separate financial statements may be obtained from Valley Metro Rail, Inc., 101 N. Central Avenue, Suite 1300, Phoenix, Arizona 85003.

Regional Wireless Cooperative “RWC”

The City currently participates with eighteen cities and districts in the Regional Wireless Cooperative agreement for the construction, operation and maintenance of a regional communications network. The City is both the Network Managing Member and the Administrative Managing Member. As the Network Managing Member, Phoenix operates and maintains the network. As the Administrative Managing Member, Phoenix is responsible for accounting, budgeting, procurement and contracting for the RWC.

The City has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The City’s share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest for the City at June 30, 2017, was \$57.5 million.

Separate financial statements may be obtained from RWC Director’s Office, 200 W. Washington Street, 12th Floor, Phoenix, Arizona 85003.

Wastewater

Phoenix participates with the cities of Glendale, Mesa, Scottsdale and Tempe in the Subregional Operating Group (“SROG”) Agreement for the construction, operation and maintenance of jointly used facilities, including the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. As lead agency, the City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. Phoenix provides all management personnel and financing arrangements and accepts federal grants on behalf of the participants. The other participants pay for costs of operation and maintenance based on sewage flows and strengths, and for purchased capacity in plant and related transportation facilities based on approved engineering billing schedules.

The City of Phoenix holds title to the land comprising the plant site and rights of way. The City’s investment under the joint use agreement was \$362.1 million at June 30, 2017, and is included in the Wastewater Enterprise Fund financial statements as part of the total wastewater system. The SROG members participate in each facility at varying rates depending on their needs at the time each facility was constructed. The system has no bonded debt outstanding. Summary financial information on the joint use agreement as of and for the fiscal year ended June 30, 2017 is provided below (in thousands).

	<u>2017</u>
Assets	
Cash Equivalents and Pooled Investments	\$ 32,112
Receivables	10,312
Inventories, at average cost	5,966
Capital Assets, Net of Accumulated Depreciation	680,953
Total Assets	<u>729,343</u>
Liabilities	(33,872)
Net Position	<u>\$ 695,471</u>
Total Revenues	\$ 57,912
Total Expenses	(84,345)
Decrease in Net Position	<u>\$ (26,433)</u>

Separate financial statements for the activity under the joint use agreement can be obtained through the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona 85012.

Notes to the Financial Statements
(Continued)

Water

Phoenix participates with the City of Mesa in the Val Vista Water Treatment Plant and Transmission Line agreement for the construction, operation and maintenance of the jointly used facilities. As lead agency, the City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the Plant. Phoenix provides all management personnel and financing arrangements. The City of Mesa pays for costs of operation and maintenance based on flows and purchased capacity, and for purchased capacity in the Plant and related transmission line based on approved engineering billing schedules.

The City's investment under the joint use agreement was \$211.6 million at June 30, 2017, and is included in the Water Enterprise Fund financial statements as part of the total water system. The plant has no bonded debt outstanding. Summary financial information on the joint use agreement as of and for the fiscal year ended June 30, 2017 is provided below (in thousands).

	<u>2017</u>
Assets	
Cash Equivalents and Pooled Investments	\$ 7,445
Receivables	1,638
Inventories, at average cost	2,272
Capital Assets, Net of Accumulated Depreciation	260,503
Total Assets	<u>271,858</u>
Liabilities	<u>(6,201)</u>
Net Position	<u>\$ 265,657</u>
Total Revenues	<u>\$ 20,413</u>
Total Expenses	<u>(33,940)</u>
Decrease in Net Position	<u>\$ (13,527)</u>

Separate financial statements for the activity under the joint use agreement can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9th Floor, Phoenix, Arizona 85003.

19. Deferred Compensation and Defined Contribution Plans (DCP)

The City offers eligible employees a Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457 and a Defined Contribution Plan created in accordance with Internal Revenue Code 401(a). The Plans provide employees with a means to supplement retirement income.

The Deferred Compensation Plan allows employees to defer up to \$18 thousand of their salaries during calendar year 2017. Enrollment and deferral charges are allowed on an ongoing basis. Compensation deferred under this Plan is generally not available to participants until termination, retirement or a qualified unforeseeable emergency.

The Defined Contribution Plan allows employees to make contributions to the Plan by irrevocably electing to defer a percentage of their salary to the Plan. The 2017 annual contribution limit is \$54 thousand. The City also contributes to the Plan on behalf of eligible employees in an amount equal to a percentage of base annual salary. The City contributed \$20.2 million for the year ended June 30, 2017. Compensation deferred under this Plan is generally not available to participants until termination, retirement or a qualified unforeseeable emergency.

A governing board makes decisions about investment options available within each Plan. All assets and income earned thereon are held in trust for the exclusive benefit of Plan participants. The Plans are administered by Nationwide Investment Services.

Notes to the Financial Statements
(Continued)

20. Pension Plans

Substantially all full-time employees and elected officials of the City are covered by one of three contributory pension plans: the City of Phoenix Employees' Retirement System, the Public Safety Personnel Retirement System or the Elected Officials' Retirement Plan.

A summary of pension related items as of and for the year ended June 30, 2017, is presented below (in thousands).

Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
COPERS				
Governmental Activities	\$ 1,182,226	\$ 117,768	\$ 66,700	\$ 152,771
Business-Type Activities	593,619	59,133	33,491	76,710
PSPRS - Police	1,777,908	339,550	27,974	366,975
PSPRS - Fire	908,812	195,640	40,455	183,320
EORP	6,807	1,330	279	1,756
Total	\$ 4,469,372	\$ 713,421	\$ 168,899	\$ 781,532

City of Phoenix Employees' Retirement System

a. Plan Description

The *City of Phoenix Employees' Retirement System* ("COPERS") is a single-employer defined benefit pension plan established by the Phoenix City Charter. Its purpose is to provide retirement, disability retirement and survivor benefits to its members, who are generally full-time civil service employees and appointed officials. The plan can be amended or repealed by a vote of the people.

The general administration, management and operation of COPERS is vested in a nine-member Retirement Board consisting of three elected employee members, four statutory members, a citizen member and a retiree member. The Retirement Board appoints the Retirement Program Administrator and contracts investment counsel and other services necessary to properly administer the Plan.

Employees participate in the plan upon beginning employment with the City. COPERS' membership data is as follows:

	June 30	
	2017	2016
Active Members		
Tier 1	6,030	6,416
Tier 2	823	953
Tier 3	1,177	414
Total	<u>8,030</u>	<u>7,783</u>
Terminated Vested	<u>925</u>	<u>885</u>
In Pay Members		
Service Retirees	5,661	5,576
Beneficiaries	1,072	1,060
Disabled Retirees	247	249
Total	<u>6,980</u>	<u>6,885</u>
Total Members	<u>15,935</u>	<u>15,553</u>

Notes to the Financial Statements (Continued)

b. Plan Benefits

Benefits are calculated on the basis of a given rate, final average compensation and service credit.

Tier 1 Pension Benefits: Employees hired prior to July 1, 2013 are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years with 10 or more years of credited service.
2. Age 62 years with 5 or more years of credited service.
3. Any age which added to years of credited service equals 80.

The pension benefit for Tier 1 employees is based on 2% of final average compensation multiplied by the first 32.5 years of service credit, 1% in excess of 32.5 years to 35.5 years, and 0.5% thereafter.

Tier 2 and 3 Pension Benefits: Employees hired on or after July 1, 2013 for Tier 2 and January 1, 2016 for Tier 3 are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years with 10 or more years of credited service.
2. Age 62 years with 5 or more years of credited service.
3. Any age which added to years of credited service equals 87.

The pension benefit for Tier 2 employees is based on 2.1% of final average compensation multiplied by years of service credit for those with less than 20 years, 2.15% for 20-24.9 years, 2.2% for 25-29.9 years and 2.3% thereafter.

The pension benefit for Tier 3 employees is based on 1.85% of final average compensation multiplied by years of service credit for those with less than 10 years, 1.9% for 10-19.9 years, 2% for 20-29.9 years and 2.1% thereafter.

A deferred pension is available at age 62 for terminated members with five or more years of service credit who leave their accumulated contributions in the Plan.

A member who becomes permanently disabled for the performance of duty is eligible for a disability benefit if the disability is 1) due to personal injury or disease and the member has ten or more years of service credit or 2) due to injuries sustained on the job, regardless of service credit.

Dependents of deceased members may qualify for survivor benefits if the deceased member had ten or more years of service credit or if the member's death was in the line of duty with the City and compensable under the Workman's Compensation Act of the State of Arizona. Chapter XXIV, Section 25 of the City Charter, specifies the conditions for eligibility of survivor benefits.

A supplemental post-retirement payment and permanent benefit increase (under the Pension Equalization Program) may be provided to Tier 1 and Tier 2 retirees if sufficient reserves are available at the end of the fiscal year. The reserve is funded if the five-year average investment return exceeds 8%.

c. Contributions and Funding Policy

The City contributes an actuarially determined percentage of payroll to COPERS, as required by City Charter, to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a closed 21 year period. For the fiscal year ended June 30, 2017, the total contribution rate was 37.99% of compensation. Tier 1 employees contributed 5% of compensation, and beginning January 1, 2016, Tier 2 and Tier 3 employees contributed 11.0% and the City contributed the remainder, \$152.2 million for the fiscal year.

Notes to the Financial Statements
(Continued)

d. Net Pension Liability

The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date. The schedule below indicates changes in net pension liability:

Change in Net Pension Liability

(in thousands)

	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a)-(b)
Balances at 6/30/2016	\$ 3,984,137	\$ 2,151,421	\$ 1,832,716
Changes for the year:			
Service cost	72,876	—	72,876
Interest on the total pension liability	293,258	—	293,258
Changes of benefit terms	—	—	—
Difference between expected and actual experience of the total pension liability	429	—	429
Changes of assumptions	2,420	—	2,420
Benefit payments, including refunds of employee contributions	(223,668)	(223,668)	—
Contributions - employer	—	152,153	(152,153)
Contributions - employee	—	30,870	(30,870)
Net investment income	—	243,211	(243,211)
Pension plan administrative expense	—	(380)	380
Net changes	145,315	202,186	(56,871)
Balances at 6/30/2017	\$ 4,129,452	\$ 2,353,607	\$ 1,775,845

COPERS is reflected as a pension trust fund of the City. Detailed information about the plan's fiduciary net position is available in the separately issued COPERS Comprehensive Annual Financial Report available online at www.phoenix.gov/copers.

e. Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2017 valuation were based on the results of the actuarial experience study covering the period from July 1, 2009 through June 30, 2014. Those assumption, applied to all periods included in the measurement, are as follows:

Investment Rate of Return	7.25%
Inflation	2.5%
Salary increase rate	Individual salary increases are composed of a price inflation component, a real wage growth component, and a merit or longevity component that varies by age. Total salary increases range from 9.60% at age 20 to 3.00% for members age 65 and older.
COLA (cost of living adjustments)	1.25%

Mortality rates were based on CalPERS Employee Mortality and CalPERS Healthy Annuitant tables both without Scale BB Projection, and also the RP2014 Disabled Retiree Mortality table without MP-2014 Projection. The

Notes to the Financial Statements

(Continued)

member contribution crediting rate was updated for the June 30, 2017 actuarial valuation to reflect the provisions of the ballot measure that passed in August, 2015.

Based on the assumption that employee and City contributions to COPERS will continue to follow the established contribution policy and the sufficiency of the Fiduciary Net Position, the long-term expected rate of return on COPERS investments, 7.25%, was applied as the single rate to all periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return (Arithmetic)
US Equity	25.4 %	7.3
International Equity	18.5	8.3
US Fixed Income	15.3	2.6
Emerging Market Bonds	4.6	5.5
Real Return (GTAA)	7.3	4.7
Private Equity (Fund of funds)	3.2	10.3
Real Estate	13.2	7.3
Absolute Return (Hedge Funds)	10.8	4.3
Cash	1.7	1.5

f. Sensitivity of the Net Position Liability to Changes in the Discount Rate

The table below presents the net pension liability of the City calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is 1.0% lower (6.25%) or 1.0% higher (8.25%) than the current rate at June 30, 2017:

Sensitivity of Net Pension Liability to Changes in Discount Rate

(in thousands)

	1.0% Decrease (6.25%)	Discount Rate (7.25%)	1.0% Increase (8.25%)
Net Pension Liability	\$ 2,280,860	\$ 1,775,845	\$ 1,355,013

Notes to the Financial Statements
(Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$229.5 million. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Deferred Inflows and Outflows of Resources

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 343	\$ 58,539
Changes in assumptions	103,884	41,652
Net difference between projected and actual earnings on pension plan investments	72,674	—
Total	\$ 176,901	\$ 100,191

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

Measurement year ended June 30:

2018	\$ 53,683
2019	53,683
2020	(14,552)
2021	(16,104)
2022	—
Thereafter	—
Total	76,710

Public Safety Personnel Retirement System

a. Plan Description

The *Public Safety Personnel Retirement System* (“PSPRS”) administers an agent multiple-employer defined benefit retirement system established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes that provides retirement benefits, as well as death and disability benefits to public safety employees of certain state and local governments. Authority to make amendments to the plan rests with the Arizona State Legislature. The PSPRS acts as a common investment and administrative agent that is jointly administered by a Board of Trustees and participating local boards.

The City’s PSPRS membership data is as follows:

	June 30, 2016	
	Police	Fire
Retirees and Beneficiaries	2,195	1,052
Inactive, Non-Retired Members	608	232
Active Members	2,486	1,390
Total	5,289	2,674
Covered Valuation Payroll (in thousands)	\$ 225,236	\$ 124,322

Notes to the Financial Statements
(Continued)

b. Plan Benefits

For employees who became a member of the PSPRS on or before December 31, 2011, retirement benefits will commence the first day of month following termination of employment and based upon the following:

<u>Age</u>	<u>Service</u>	<u>Calculation</u>
62	15 years	Average monthly benefit compensation x 50% for the first 20 years of credited service. The benefit is reduced by 4% for each year of credited service under 20 years. A.R.S. §§ 38-842(7 and 32) and 38-845(A)(1).
Not required	20 years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service. A.R.S. §§ 38-842(7) and 38-845(A).
Not required	20 years of service with less than 20 years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service. The benefit is reduced by 4% for each year of credited service under 20 years. A.R.S. §§ 38-842(7 and 32) and 38-845(A)(1).
Not required	20 to 24.99 years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service plus 2% of the average monthly benefit compensation for each year of credited service between 20 and 24.99. A.R.S. §§ 38-842(7) and 38-845(A)(2).
Not required	25 or more years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service plus 2.5% of the average monthly benefit compensation for each year of credited service above 20 years up to a maximum of 80% of the average monthly benefit compensation. A.R.S. §§ 38-842(7) and 38-845(A)(2).

For employees who became a member of the PSPRS on or after January 1, 2012 through June 30, 2017, retirement benefits will commence the first day of month following termination of employment and based upon the following:

<u>Age</u>	<u>Service</u>	<u>Calculation</u>
52.5	15 years of service	Effective August 9, 2017 pursuant to Senate Bill 1115: Average monthly benefit compensation x credited service x multiplier (below). A.R.S. §§ 38-842(7 and 32) and 38-845(G).
52.5	25 or more years of service	Average monthly benefit compensation x 62.5% for the first 25 years of credited service plus 2.5% of the average monthly benefit compensation for each year over 25 years of credited service years up to a maximum of 80% of the average monthly benefit compensation. The benefit is reduced by 4% for each year of credited service under 25 years with a pro-rata reduction for any fractional years. A.R.S. §§ 38-842(7 and 32) and 38-845(G).

<u>Credited Service</u>	<u>Multiplier</u>
15 to 16.99	1.50%
17 to 18.99	1.75%
19 to 21.99	2.00%
22 to 24.99	2.25%
25 or more	2.50%

Permanent benefit increases, as well as death and disability benefits are available in accordance with the Arizona Revised Statutes that govern the System. Inactive members that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This lifetime annuity, which is not a retirement benefit, is actuarially equivalent to the member's accumulated contributions in the System plus an equal amount paid by the employer. The Deferred Annuity option is only available to inactive employees who became PSPRS members on or before December 31, 2011.

c. Contributions and Funding Policy

The System, for both police and fire personnel, is funded via member contributions of 7.65% of compensation for employees whose membership date was prior to July 20, 2011, and 11.65% of compensation for employees whose

Notes to the Financial Statements (Continued)

membership date began on or after July 20, 2011. Employees whose membership date was on or after January 1, 2012 have the option of participating in the hybrid plan for non-social security positions with contributions of 14.65%, of which 3% goes toward a defined contribution plan and is matched by the employer. Employer rates are set by an actuarial valuation and expressed as a percent of compensation. For fiscal year ended June 30, 2017, the required employer contribution rates were 48.17% and 45.44% for Police and Fire, respectively, which amounted to \$111.1 million and \$58.6 million.

d. Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date. The schedule below indicates changes in net pension liability as of the actuary report dated June 30, 2017 (in thousands):

Change in Net Pension Liability

	POLICE			FIRE		
	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Pension Liability (NPL)	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a)-(b)	(a)	(b)	(a)-(b)
Balances at 6/30/2016	\$ 2,598,387	\$ 1,212,715	\$ 1,385,672	\$ 1,409,946	\$ 687,901	\$ 722,045
Changes for the Year:						
Service cost	47,232	—	47,232	25,101	—	25,101
Interest on the total pension liability	199,120	—	199,120	107,388	—	107,388
Benefit changes	171,696	—	171,696	95,865	—	95,865
Differences between expected and actual experience	3,644	—	3,644	(22,672)	—	(22,672)
Assumption Changes	100,323	—	100,323	51,468	—	51,468
Contributions - employer	—	92,298	(92,298)	—	49,932	(49,932)
Contributions - member	—	31,061	(31,061)	—	16,039	(16,039)
Net investment income	—	7,019	(7,019)	—	3,927	(3,927)
Benefit payments, including refunds of employee contributions	(170,877)	(170,877)	—	(108,988)	(108,988)	—
Administrative expense	—	(1,010)	1,010	—	(565)	565
Other	—	411	(411)	—	1,050	(1,050)
Net changes	<u>351,138</u>	<u>(41,098)</u>	<u>392,236</u>	<u>148,162</u>	<u>(38,605)</u>	<u>186,767</u>
Balances at 6/30/2017	<u>\$ 2,949,525</u>	<u>\$ 1,171,617</u>	<u>\$ 1,777,908</u>	<u>\$ 1,558,108</u>	<u>\$ 649,296</u>	<u>\$ 908,812</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public Safety Personnel Retirement System Comprehensive Annual Financial Report available online at www.psprs.com.

e. Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2016 actuarial valuation were based on the results of the actuarial experience study covering the period from July 1, 2006 through June 30, 2011. Those assumptions, applied to all periods included in the measurement, are as follows:

Notes to the Financial Statements (Continued)

Methods and Assumptions Used to Determine Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll Growth	4.00%
Inflation	3.00%; No explicit price inflation assumption
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.50%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

Other Information:

Assumed Future Permanent Benefit Increases	The cost-of-living adjustment 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. We have assumed that to be 1.75% for this valuation.
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A Single Discount Rate of 7.50% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this Single Discount Rate 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 these assumptions, the pension 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
U.S. Equity	16.00 %	6.23 %
Non-U.S. Equity	14.00	8.25
Private Equity	11.00	9.50
Fixed Income	7.00	2.92
Credit Opportunities	13.00	7.08
Absolute Return	5.00	4.11
GTAA	10.00	4.38
Real Assets	8.00	4.77
Real Estate	10.00	4.48
Risk Parity	4.00	5.13
Short Term Inv	2.00	0.75
Total	100.00 %	

*Arithmetic Real Rate of Return Based on inflation assumption of 3.00%

Notes to the Financial Statements
(Continued)

f. Sensitivity of the Net Position Liability to Changes in the Discount Rate

The table below presents the net pension liability of both Police and Fire calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate (in thousands):

POLICE			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 2,147,874	\$ 1,777,908	\$ 1,472,164

FIRE			
	1% Decrease (6.50%)	Current Single Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 1,098,490	\$ 908,812	\$ 751,185

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

For the year ended June 30, 2017, pension expense of \$367.0 million and \$183.3 million were recognized for Police and Fire, respectively. Contributions made subsequent to the measurement date are reported as deferred outflows of resources in the Governmental Activities of the Government-Wide Statement of Net Position (Exhibit A-1). At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported (in thousands):

	POLICE		FIRE	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,788	\$ 27,974	\$ —	\$ 40,455
Changes in assumptions	151,052	—	94,957	—
Net difference between projected and actual earnings on pension plan investments	74,660	—	42,034	—
Contributions made subsequent to the measurement date	111,050	—	58,649	—
Total	\$ 339,550	\$ 27,974	\$ 195,640	\$ 40,455

Notes to the Financial Statements
(Continued)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

POLICE		FIRE	
Year Ending June 30	Net Deferred Outflows of Resources	Year Ending June 30	Net Deferred Outflows of Resources
2018	72,698	2018	23,821
2019	56,866	2019	23,821
2020	47,389	2020	30,628
2021	23,574	2021	13,328
2022	—	2022	3,668
Thereafter	—	Thereafter	1,269
Total	\$ 200,527	Total	\$ 96,535

Elected Officials' Retirement Plan

The *Elected Officials' Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan that provides retirement, death and disability benefits. The EORP was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes and is administered by the Board of Trustees of PSPRS. At June 30, 2016, the City had 8 covered officials participating in the plan. Covered payroll for the year then ended was \$211 thousand (of \$521.3 million general City covered payroll). Net pension liability for EORP was \$6.8 million as of June 30, 2017 and is reported in the Governmental Activities of the Government-Wide Statement of Net Position (Exhibit A-1). No additional disclosures regarding EORP are provided due to the immateriality to the City's finances as a whole. EORP financial statements are available online at www.psprs.com.

21. Other Postemployment Benefits (OPEB)

Postemployment Healthcare

The City provides certain postemployment health care benefits for its retirees. Retirees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. As of August 1, 2007, separate rates have been established for active and retiree health insurance.

Medical Expense Reimbursement Plan (Under GASB Statement No. 45)

Employees eligible to retire in 15 years or less from August 1, 2007, will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire. The MERP is a single-employer, defined benefit plan. Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP.

The purpose of the monthly subsidy is to reimburse retirees for qualified medical expenses. The subsidy varies with length of service or bargaining unit, from \$117 to \$202 per month. Retirees may be eligible for additional subsidies depending on their bargaining unit, retirement date, or enrollment in the City's medical insurance program. Current and future eligible retirees who purchase health insurance through the City's plan will receive an additional subsidy to minimize the impact of unblending health insurance rates for active and retired employees.

The City established the City of Phoenix MERP Trust to fund all or a portion of the City's share of liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.42 - Medical Expense Reimbursement Plan for Retirees and Eligible Surviving Spouses or Qualified Domestic Partners. A five-member Board of Trustees has been delegated fiduciary responsibility for the MERP Trust, subject to oversight of the City Council.

Notes to the Financial Statements
(Continued)

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual MERP related OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual required contribution	\$ 27,860
Interest on OPEB obligation	—
Contributions from the City	<u>27,863</u>
Decrease in net OPEB obligation (asset)	<u>(3)</u>
Net OPEB obligation (asset), beginning of year	—
Net OPEB obligation (asset), end of year	<u><u>\$ (3)</u></u>

The City's annual MERP related OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/(asset) for 2017 and the two preceding years were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2017	\$ 27,860	\$ 27,863	100.0%	\$ (3)
6/30/2016	27,897	27,898	100.0	—
6/30/2015	27,937	27,936	100.0	1

As of June 30, 2017, the most recent actuarial valuation date, MERP benefits were funded by the City to a dedicated MERP Trust. The actuarial accrued liability for benefits was \$360.3 million and the actuarial value of assets was \$159.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$201.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$318.8 million and the ratio of the UAAL to the covered payroll was 63.0 percent.

The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC and the total OPEB liability.

Valuation date	6/30/2017
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increase	N/A
Inflation rate	3%
Healthcare cost trend	N/A

Mortality rates are based on the sex-distinct employee and annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. 1% of pre-retirement deaths for general

Notes to the Financial Statements
(Continued)

employees are assumed to be duty-related and 12% of pre-retirement deaths for safety employees are assumed to be duty-related.

(i) General Non-Annuitant - CalPERS employee mortality table with Male multiplier of 1.054 and Female multiplier of 1.112, projected from 2009 using MP-2015

(ii) General Healthy Annuitant - CalPERS healthy annuitant mortality table with Male multiplier of 1.019 and Female multiplier of 1.061, projected from 2009 using MP-2015

(iii) General Disabled Annuitant - RP-2014 Disabled Annuitant Mortality with Male multiplier of 0.984 and Female multiplier of 1.038, projected from 2006 using MP-2015

(iv) Safety Non-Annuitant - RP-2000 Combined Healthy Mortality Table, projected to 2015 using Scale AA, and multiplied by 60%

(v) Safety Healthy Annuitant - RP-2000 Combined Healthy Mortality Table, projected from 2015 using Scale AA, and multiplied by 105%

(vi) Safety Disabled Annuitant - RP-2014 Combined Healthy Mortality with a 10 year set forward, projected from 2015 using AA

The number of participants as of June 30, 2017, the effective date of the biennial OPEB valuation, follows.

	General City	Public Safety	Total
Active employees	2,313	2,083	4,396
Retirees and Beneficiaries	5,903	2,866	8,769
Total	8,216	4,949	13,165

Medical Expense Reimbursement Plan (Under GASB Statement No. 74)

Since MERP does not present separate financial statements, the City is presenting the following disclosures below in accordance with GASB Statement No. 74:

The Medical Expense Reimbursement Plan is supported by employer contributions. Using the Projected Unit Credit Cost Method, contributions are determined such that contributions will fund the projected benefits over a closed 25-year funding period.

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The components of the net OPEB liability of the City at June 30, 2017, were as follows (in thousands):

Total OPEB liability	\$	364,365
Plan fiduciary net position		159,328
City's net OPEB liability	\$	205,037
Plan fiduciary net position as a percentage of the total OPEB liability		43.73%

Notes to the Financial Statements
(Continued)

The schedules of investment return and current target asset allocation for MERP are as follows:

FY Ending June 30, <u>2017</u>	Annual Money-Weighted Rate of Return <u>12.2%</u>
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<u>Asset Class</u>	<u>Target Allocation</u>
Broad US Equity	23.00 %
International Equity	23.00
Fixed Income	24.00
Marketable Alternatives	20.00
Diversified Inflation-Related	5.00
Real Estate	5.00
Total	<u>100.00 %</u>

Below is a table (in thousands) providing the sensitivity of the net OPEB liability to changes in the discount rate or Healthcare trend rate as of June 30, 2017. In particular, the table presents the plan's net OPEB liability, if it were calculated using a single discount rate and Healthcare Cost Trend Rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

<u>Healthcare Cost Trend Rate Assumption</u>	<u>1% Decrease (6.00%)</u>	<u>Current Single Discount Rate Assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Current Healthcare Cost	\$ 240,683	\$ 205,037	\$ 174,607
1% Decrease	\$ 240,669	\$ 205,024	\$ 174,596
1% Increase	\$ 240,697	\$ 205,050	\$ 174,618

Post Employment Health Plan

Employees eligible to retire in more than 15 years from August 1, 2007 who have payroll deductions for City medical insurance coverage are entitled to a \$150 monthly contribution to the employee's Post Employment Health Plan (PEHP) account in lieu of MERP subsidies. PEHP is a single-employer defined contribution plan administered by Nationwide Retirement Solutions. Funds accumulated in the employee's account can be used upon termination of employment for qualified medical expenses.

Long-Term Disability Program (Under GASB Statement No. 45)

Long-term disability (LTD) benefits are available to regular, full-time, benefit-eligible employees who have been employed by the City for at least 12 consecutive months. The program provides income protection of 2/3 of an employee's monthly base salary following a continuous three-month waiting period from the last day worked and the use of all leave accruals. The benefit continues to age 80 for those disabled prior to July 1, 2013 and age 75 for those disabled on or after July 1, 2013. Contributions to the LTD Trust by the City, plus earnings thereon, are the sole source of funding for the LTD program. The City pays 100 percent of the cost of this benefit.

The City established the City of Phoenix Long-Term Disability Trust to fund all or a portion of the City's liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.323 City of Phoenix Long-Term Disability Program. A five-member Board of Trustees has been delegated fiduciary responsibility for the LTD Trust, subject to oversight by the City Council. The LTD Trust issues a separate report that can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

Notes to the Financial Statements
(Continued)

The City's annual LTD related OPEB expense is calculated based on the ARC, an amount determined actuarially in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual LTD related OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (in thousands):

Annual required contribution*	\$ 1,514
Interest on Net OPEB Asset	97
Contributions made	1,381
Increase in OPEB Asset	<u>(36)</u>
Net OPEB asset, beginning of year	1,382
Net OPEB asset, end of year	<u><u>\$ 1,346</u></u>

* The City does not calculate an adjustment to the ARC based on the value of the OPEB Asset.

The City's annual LTD related OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2017 and the two preceding years were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2017	\$ 1,417	\$ 1,381	97.5%	\$ 1,346
6/30/2016	1,074	1,335	124.3	1,382
6/30/2015	2,578	2,581	100.1	1,121

As of June 30, 2017, the most recent actuarial valuation date, the LTD was 134.1 percent funded. The actuarial accrued liability for benefits was \$57.4 million, and the actuarial value of assets was \$76.9 million, resulting in a funding excess of \$19.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$804.8 million, and the ratio of the funding excess to the covered payroll was 2.43 percent.

The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC.

Valuation date	6/30/2017
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increase	3.5%
Inflation rate	3%
Healthcare cost trend	N/A

Notes to the Financial Statements

(Continued)

The number of participants as of June 30, 2017, the effective date of the biennial OPEB valuation, follows.

	Fire	Police	General City	Total
Current Active Employees	1,630	2,924	8,110	12,664
Currently Disabled Employees	7	11	264	282
Total Covered Participants	1,637	2,935	8,374	12,946

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new assumptions are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

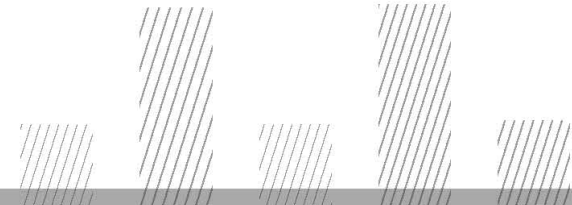
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

22. Subsequent Events

Debt Issuances

On October 31, 2017, the City of Phoenix Civic Improvement Corporation issued \$190.9 million of Senior Lien Airport Revenue Bonds, Series 2017A (AMT), \$173.4 million of Senior Lien Airport Revenue Refunding Bonds, Series 2017B (Non-AMT), and \$35.7 million of Senior Lien Airport Revenue Refunding Bonds, Taxable Series 2017C. The bonds were issued at an all-in true interest cost of 3.84%, 3.23%, and 2.23%, respectively, and were dated and delivered November 21, 2017.

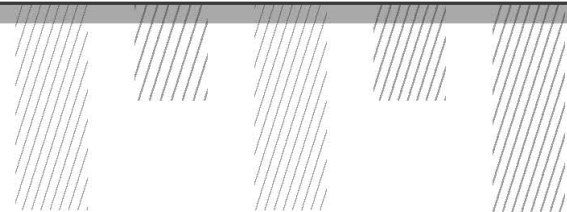
On December 11, 2017, the City of Phoenix Civic Improvement Corporation issued \$474.7 million of Junior Lien Airport Revenue Refunding Bonds, Series 2017D (Non-AMT). The bonds were issued at an all-in true interest cost of 3.36% and were dated and delivered December 21, 2017.



Financial Section



**Required
Supplementary
Information**



City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

COPERS

Schedule of Changes in Net Pension Liability and Related Ratios

(in thousands)

	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>FYE 2014</u>
<u>Total Pension Liability</u>				
Service cost	\$ 72,876	\$ 80,757	\$ 75,310	\$ 78,331
Interest on the total pension liability	293,258	293,206	266,355	257,219
Changes of benefit terms	—	(3,229)	—	—
Differences between expected and actual experience	429	(76,891)	(31,009)	(20,336)
Changes of assumptions	2,420	(69,420)	254,870	—
Benefit payments, including refunds of employee contributions	(223,668)	(216,193)	(204,403)	(179,877)
Net change in total pension liability	145,315	8,230	361,123	135,337
Total pension liability - beginning	3,984,137	3,975,907	3,614,784	3,479,447
Total pension liability - ending	<u>\$ 4,129,452</u>	<u>\$ 3,984,137</u>	<u>\$ 3,975,907</u>	<u>\$ 3,614,784</u>
<u>Plan Fiduciary Net Position</u>				
Employer contributions	\$ 152,153	\$ 119,844	\$ 117,092	\$ 110,629
Employee contributions	30,870	29,523	27,861	27,760
Pension plan net investment income	243,211	9,171	47,148	298,736
Benefit payments, including refunds of member contributions	(223,668)	(216,409)	(204,403)	(179,877)
Pension plan administrative expense	(380)	(234)	(414)	(628)
Net change in plan fiduciary net position	202,186	(58,105)	(12,716)	256,620
Plan fiduciary net position - beginning	2,151,421	2,209,526	2,222,242	1,965,622
Plan fiduciary net position - ending	<u>\$ 2,353,607</u>	<u>\$ 2,151,421</u>	<u>\$ 2,209,526</u>	<u>\$ 2,222,242</u>
Net pension liability - ending	<u>\$ 1,775,845</u>	<u>\$ 1,832,716</u>	<u>\$ 1,766,381</u>	<u>\$ 1,392,542</u>
Plan fiduciary net position as a percentage of the total pension liability	57.00%	54.00%	55.57%	61.48%
Covered payroll	\$ 521,295	\$ 473,974	\$ 484,309	\$ 518,746
Net pension liability as a percentage of covered payroll	340.66%	386.67%	364.72%	268.44%

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Schedule of Employer Contributions

(in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2017	\$ 152,153	\$ 152,153	\$ —	\$ 521,295	29.19%
2016	119,844	119,844	—	473,974	25.28%
2015	117,092	117,092	—	484,309	24.18%
2014	110,629	110,629	—	518,746	21.33%
2013	115,244	115,244	—	524,648	21.97%
2012	114,709	114,709	—	540,792	21.21%
2011	105,682	105,682	—	541,388	19.52%
2010	90,965	90,965	—	578,327	15.73%
2009	86,241	86,241	—	587,171	14.69%
2008	66,383	66,383	—	580,207	11.44%

NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation date: July 1, 2015. Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the current measurement period. The rates for FYE June 30, 2017 were determined based on the July 1, 2015 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	The UAL as of June 30, 2013 is amortized as a level percentage of payroll over a closed 25-year period. The impact of the September 2013 assumption changes is amortized over a closed 25-year period with a four-year phase-in. Future gains and losses are amortized over closed 20-year periods. However, future gains will not be amortized over a shorter period than the remaining period on the amortization of the 2013 UAL.
Asset valuation method	4-Year smoothed market; 25% corridor
Salary increases	3.50% plus merit component based on age ranging from 3.80% at age 20 to 0.00% for members age 65 and older.
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	Male and female RP-2000 combined employee and annuitant tables.
COLA	1.50%

Other: The assumptions shown above pertain to the actuarial valuation as of July 1, 2015 and were used to determine the actuarially determined contribution for the fiscal year ending June 30, 2017. The Board adopted new economic assumptions effective with the July 1, 2017 valuation which will determine the actuarially determined contribution for the fiscal year ending June 30, 2019.

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

PSPRS

Schedule of Changes in Net Pension Liability and Related Ratios for Reporting Date ended June 30,
(in thousands)

	POLICE		
	2017	2016	2015
<u>Total Pension Liability</u>			
Service Cost	\$ 47,232	\$ 47,490	\$ 50,173
Interest on the Total Pension Liability	199,120	195,645	170,560
Changes of benefit terms	171,696	—	38,647
Difference between expected and actual experience of Total Pension Liability	3,644	(42,065)	(13,758)
Changes of assumptions	100,323	—	211,118
Benefit payments, including refunds of employee contributions	(170,877)	(142,444)	(129,266)
Net change in total pension liability	351,138	58,626	327,474
Total pension liability - Beginning	2,598,387	2,539,761	2,212,287
Total pension liability - Ending	<u>\$ 2,949,525</u>	<u>\$ 2,598,387</u>	<u>\$ 2,539,761</u>
<u>Plan Fiduciary Net Position</u>			
Employer Contributions	\$ 92,298	\$ 80,311	\$ 78,428
Employee Contributions	31,061	28,941	27,931
Net investment income	7,019	43,559	146,354
Benefit payments, including refunds of employee contributions	(170,877)	(142,444)	(129,266)
Pension Plan Administrative Expense	(1,010)	(1,063)	—
Other*	411	(842)	(53,122)
Net change in Plan Fiduciary Net Position	(41,098)	8,462	70,325
Plan Fiduciary Net Position - Beginning	1,212,715	1,204,253	1,133,928
Plan Fiduciary Net Position - Ending	<u>\$ 1,171,617</u>	<u>\$ 1,212,715</u>	<u>\$ 1,204,253</u>
Net Pension Liability - Ending	<u>\$ 1,777,908</u>	<u>\$ 1,385,672</u>	<u>\$ 1,335,508</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39.72%	46.67%	47.42%
Covered Valuation Payroll**	\$ 225,236	\$ 215,928	\$ 229,987
Net Pension Liability as a Percentage of Covered Valuation Payroll	789.35%	641.73%	580.69%

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

** Does not necessarily represent Covered Payroll as defined in GASB Statement No. 82.

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Schedule of Changes in Net Pension Liability and Related Ratios for Reporting Date ended June 30,

(in thousands)

	FIRE		
	2017	2016	2015
<u>Total Pension Liability</u>			
Service Cost	\$ 25,101	\$ 25,159	\$ 25,964
Interest on the Total Pension Liability	107,388	106,101	93,775
Changes of benefit terms	95,865	—	18,125
Difference between expected and actual experience of Total Pension Liability	(22,672)	(24,035)	(9,814)
Changes of assumptions	51,468	—	100,149
Benefit payments, including refunds of employee contributions	(108,988)	(72,612)	(68,945)
Net change in total pension liability	148,162	34,613	159,254
Total pension liability - Beginning	1,409,946	1,375,333	1,216,079
Total pension liability - Ending	<u>\$ 1,558,108</u>	<u>\$ 1,409,946</u>	<u>\$ 1,375,333</u>
<u>Plan Fiduciary Net Position</u>			
Employer Contributions	\$ 49,932	\$ 43,076	\$ 42,900
Employee Contributions	16,039	14,250	14,152
Net investment income	3,927	24,513	82,575
Benefit payments, including refunds of employee contributions	(108,988)	(72,612)	(68,945)
Pension Plan Administrative Expense	(565)	(599)	—
Other*	1,050	(536)	(30,298)
Net change in Plan Fiduciary Net Position	(38,605)	8,092	40,384
Plan Fiduciary Net Position - Beginning	687,901	679,809	639,425
Plan Fiduciary Net Position - Ending	<u>\$ 649,296</u>	<u>\$ 687,901</u>	<u>\$ 679,809</u>
Net Pension Liability - Ending	\$ 908,812	\$ 722,045	\$ 695,524
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	41.67%	48.79%	49.43%
Covered Valuation Payroll**	\$ 124,322	\$ 121,291	\$ 125,639
Net Pension Liability as a Percentage of Covered Valuation Payroll	731.02%	595.30%	553.59%

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

** Does not necessarily represent Covered Payroll as defined in GASB Statement No. 82.

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

		Schedule of Contributions for Measurement Date Ended June 30,					
(in thousands)		Actuarially			Contribution	Covered	Actual Contribution
Year Ended	June 30,	Determined	Actual	Deficiency	Valuation	as a % of Covered	
		Contribution	Contribution **	(Excess)	Payroll *	Valuation Payroll	
Police	2017	\$ —	\$ 111,050	\$ —	\$ —		—
	2016	92,298	92,298	—	225,236		40.98%
	2015	80,311	80,311	—	215,928		37.19%
	2014	78,428	78,428	—	229,987		34.10%
Fire	2017	\$ —	\$ 58,649	\$ —	\$ —		—
	2016	49,932	49,932	—	124,322		40.16%
	2015	43,076	43,076	—	121,291		35.51%
	2014	42,900	42,900	—	125,639		34.15%

* Does not necessarily represent Covered Employee Payroll as defined in GASB Statement No. 82

** Actual contributions are based on covered payroll at the time of contribution. It is the actuary's understanding that the Employer's practice is to contribute the percent-of-payroll employer contribution rate (or flat dollar amount if there are no active employees) shown in the actuarial valuation report. Because of this understanding, the Actuarially Determined Contributions shown in the Schedule of Employer contributions are the actual contributions made by the Employer in the fiscal year. Fiscal year 2017 actual contributions represent contributions made subsequent to the measurement date.

NOTES TO SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2016 CONTRIBUTION RATE*

Valuation Date: Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Fiscal Year 2016 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	22 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset Valuation Method	7-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.00%; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006- June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

Other Information:

Assumed Future Permanent Benefit Increases: Members Retired on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members Retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase

* Based on Valuation Assumptions used in the June 30, 2014 actuarial valuation

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

(Unaudited) Schedule of Funding Progress (in thousands) (Under GASB Statement No. 45)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability-UAL (Funding Excess) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAL (Funding Excess) as a Percentage of Covered Payroll (b - a)/(c)
MERP (1)	7/1/17	\$ 159,328	\$ 360,295	\$ 200,967	44.2%	\$ 318,823	63.0 %
	7/1/15	138,466	433,805	295,339	31.9	379,302	77.9
	7/1/13	113,666	419,610	305,944	27.1	461,156	66.3
	8/1/11	86,964	423,058	336,094	20.6	510,561	65.8
	8/1/09	60,459	424,989	364,530	14.2	593,932	61.4
	8/1/06	—	345,579	345,579	—	563,570	61.3
LTD (2)	7/1/17	\$ 76,911	\$ 57,353	\$ (19,558)	134.1%	\$ 804,784	(2.43)%
	7/1/15	76,522	57,943	(18,579)	132.1	775,313	(2.40)
	7/1/13	69,463	69,504	41	99.9	816,086	0.01
	7/1/11	68,087	68,413	326	99.5	816,962	0.04
	7/1/09	60,992	66,523	5,531	91.7	876,001	0.63
	7/1/07	64,956	60,344	(4,612)	107.6	856,510	(0.54)

- (1) The initial valuation for MERP was dated August 1, 2006. Valuations are performed biennially beginning with the valuation dated August 1, 2009.
(2) Valuations are performed biennially beginning with the valuation dated July 1, 2007. The funding value for the August 1, 2007 valuation has been adjusted to reflect \$9,100,000 reduction during fiscal year 2007-08.

MERP (Under GASB Statement No. 74)

Schedule of Changes in the City's Net OPEB Liability and Related Ratios

(in thousands)

	<u>FYE 2017</u>
<u>Total OPEB Liability</u>	
Service cost	\$ 4,531
Interest on the total OPEB liability	24,472
Changes of benefit terms	—
Differences between expected and actual experience	—
Changes of assumptions	—
Benefit payments, including refunds of employee contributions	<u>(23,936)</u>
Net change in total OPEB liability	5,067
Total OPEB liability - beginning	<u>359,298</u>
Total OPEB liability - ending	<u><u>\$ 364,365</u></u>
<u>Plan Fiduciary Net Position</u>	
Employer contributions	\$ 27,863
Employee contributions	—
OPEB plan net investment income	17,187
Benefit payments, including refunds of employee contributions	(23,936)
OPEB plan administrative expense	—
Other	—
Net change in plan fiduciary net position	<u>21,114</u>
Plan fiduciary net position - beginning	<u>138,214</u>
Plan fiduciary net position - ending	<u><u>\$ 159,328</u></u>
Net OPEB liability - ending	<u><u>\$ 205,037</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	43.73%
Covered employee payroll	\$ 318,823
Net OPEB liability as a percentage of covered employee payroll	64.31%

Notes to Schedule:

- The covered employee payroll as of July 1, 2017 is equal to the annual payroll in effect as of that date
- Service Cost determined under the Entry Age Normal Method

City of Phoenix
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Schedule of Employer Contributions

(in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2017	\$ 27,860	\$ 27,863	(3) \$	318,823	8.74%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Market
Inflation	3.00%
Investment rate of return	7.00%
Health care trend rates	Applies only to Duty Related Death Benefits: Rates starting at 7.5% in 2018 grading down to 4.5% in 2032.
Expenses	Investment expenses are paid from investment returns.

Other information:

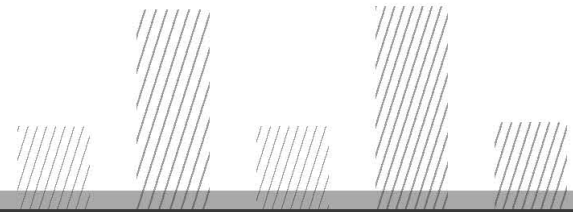
Notes: There were no benefit changes during the year.

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.2%

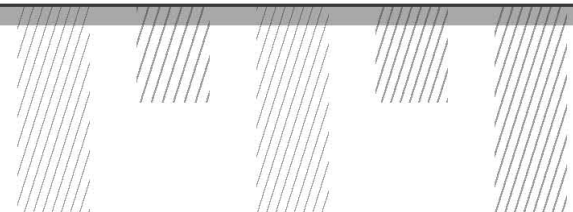
Until a full 10-year trend is compiled, only those years for which information is available will be presented.



Financial Section



**Nonmajor
Governmental
Funds -Combining
Fund Financial
Statements**



Fund Descriptions - Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Highway User Revenue - to account for the City's share of the Arizona Highway User Revenue Tax. This money is used solely for highway and street improvements.

Municipal Court - to account for revenue received from court award of confiscated property under both the Federal and State Organized Crime Acts, court technology enhancement fees and the City's portion of local Judicial Collection Enhancement Fund monies. These funds are to be spent on additional law enforcement activity and court computer system improvements.

Development Services - to account for development user fees that finance the City's development review and permitting process, and for community reinvestment and impact fees to be used for redevelopment purposes.

Grants - to account for federal and state revenues to be used for community services, including neighborhood and community development, and human resources programs.

Public Housing - to account for rental receipts and expenditures for the administration, management and maintenance of various public housing units. The U.S. Department of Housing and Urban Development exercises indirect control over the activities of the City's housing programs.

Other Restricted - to account for restricted fees for recreation and other programs, and donations specified for various city programs.

Neighborhood Protection - to account for all revenues and expenditures associated with the Fire and Police Neighborhood Protection Programs and the Police Block Watch Program, funded by the 0.1% local sales tax rate increase authorized by the voters in 1993.

Public Safety Enhancement - to account for the Fire, Police, and Emergency Management share of a 2.0% increment of the 2.7% privilege license tax on utilities with franchise agreements which became effective May 2005, and the 0.2% public safety expansion sales tax which was implemented in December 2007.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

Capital Construction - to account for infrastructure improvements in the public right-of-way, including street and sidewalk modernization and improvement financed by a portion of the utility tax on telecommunications services.

Parks and Preserves - to account for the purchase of state trust lands for the Sonoran Desert Preserve Open Space, and the development and improvement of regional and neighborhood parks financed by funds generated by the desert preserve tax.

Street Improvements - to account for the acquisition of rights-of-way and the improvement, construction and reconstruction of streets and highways within the City.

Police and Fire Protection - to account for the purchase, construction and equipping of public safety buildings and fire stations.

Fund Descriptions

(continued)

Storm Sewers - to account for the planning, construction, extension and improvement of storm sewer trunk lines and detention basins.

Parks, Recreation and Libraries - to account for the acquisition and development of parks, playgrounds, recreational facilities and public libraries.

Public Housing - to account for the acquisition, construction and modification of public housing complexes and housing for the elderly.

Municipal Buildings and Service Centers - to account for the construction or renovation and equipping of buildings for use by municipal departments, including maintenance and service facilities.

Transit - to account for the purchase, construction and equipping of facilities and vehicles to provide public transit service.

Sports and Cultural Facilities - to account for the acquisition, construction and improvement of community, cultural and sports facilities.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for and payment of bond principal and interest payable from governmental resources, and special assessment bond principal and interest payable from special assessment levies, when the government is obligated in some manner for the payment. Principal payments are due annually. Interest is due semi-annually.

Sports Facilities - to account for revenues and expenditures earmarked for the downtown sports arena.

City Improvement - to account for debt service on certificates of participation and certain municipal corporation obligations. Funding is provided by transfers from the Excise Tax Special Revenue Fund.

Special Assessment - to account for debt service on special assessment bonds. Funding is provided by special assessments made against the benefiting property owners.



City of Phoenix

City of Phoenix, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(in thousands)

Exhibit C-1

	Special Revenue Funds				
	Highway User Revenue	Municipal Court	Develop- ment Services	Grants	Public Housing
ASSETS					
Cash and Cash Equivalents	\$ 20,337	\$ 2,690	\$ 29,682	\$ —	\$ 7,785
Cash Deposits	29	—	—	—	298
Cash and Securities with Fiscal Agents/Trustees	—	—	—	—	2,702
Investments	82,654	11,658	112,485	—	25,089
Due from Other Funds	—	—	—	—	—
Receivables, Net of Allowance					
Accounts Receivable	8	—	584	3,376	365
Taxes Receivable	—	—	—	—	—
Intergovernmental	11,635	—	—	16,288	1,167
Accrued Interest	—	—	—	—	66
Notes Receivable	—	—	—	—	10,303
Prepaid Items	—	—	—	—	4,321
Total Assets	<u>\$ 114,663</u>	<u>\$ 14,348</u>	<u>\$ 142,751</u>	<u>\$ 19,664</u>	<u>\$ 52,096</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ —	\$ —	\$ —	\$ 1,150	\$ —
Accounts Payable	6,245	736	1,199	5,688	870
Trust Liabilities and Deposits	4,231	2,878	7,932	162	19,921
Matured Bonds Payable	—	—	—	—	—
Interest Payable	—	—	—	—	—
Hotel Loan Interest Payable	—	—	—	—	—
Advance Payments	—	—	5,720	12,664	944
Total Liabilities	<u>10,476</u>	<u>3,614</u>	<u>14,851</u>	<u>19,664</u>	<u>21,735</u>
Deferred Inflows of Resources					
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balances					
Non-Spendable					
Prepaid Items	—	—	—	—	4,321
Spendable					
Restricted	104,187	7,433	61,475	—	20,432
Committed	—	3,301	—	—	—
Assigned	—	—	66,425	—	5,608
Unassigned	—	—	—	—	—
Total Fund Balances	<u>104,187</u>	<u>10,734</u>	<u>127,900</u>	<u>—</u>	<u>30,361</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 114,663</u>	<u>\$ 14,348</u>	<u>\$ 142,751</u>	<u>\$ 19,664</u>	<u>\$ 52,096</u>

Exhibit C-1
(Continued)

Special Revenue Funds				Capital Projects Funds			
Other Restricted	Neighborhood Protection	Public Safety Enhancement	Total	Capital Construction	Parks and Preserves	Street Improvements	Police and Fire Protection
\$ 15,463	\$ 5,829	\$ 4,893	\$ 86,679	\$ 3,506	\$ 12,651	\$ 22,878	\$ —
—	—	—	327	—	—	—	—
—	—	—	2,702	—	—	—	—
58,356	21,694	19,578	331,514	14,050	51,091	27,762	—
—	—	—	—	—	—	—	—
839	—	—	5,172	4	—	82	—
57	149	299	505	—	149	—	—
70	—	—	29,160	—	—	1,068	—
—	—	—	66	—	—	31	—
—	—	—	10,303	—	—	22,448	—
—	—	—	4,321	—	—	—	—
\$ 74,785	\$ 27,672	\$ 24,770	\$ 470,749	\$ 17,560	\$ 63,891	\$ 74,269	\$ —
—	—	—	—	—	—	—	—
\$ —	\$ —	\$ —	\$ 1,150	\$ —	\$ —	\$ —	\$ 9,401
3,005	—	5	17,748	1,265	2,554	1,448	144
307	1,406	—	36,837	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	19,328	—	—	—	—
3,312	1,406	5	75,063	1,265	2,554	1,448	9,545
—	—	—	—	—	—	—	—
—	—	—	4,321	—	—	—	—
52,085	26,266	24,765	296,643	—	61,337	31,418	—
—	—	—	3,301	16,295	—	—	—
19,388	—	—	91,421	—	—	41,403	—
—	—	—	—	—	—	—	(9,545)
71,473	26,266	24,765	395,686	16,295	61,337	72,821	(9,545)
\$ 74,785	\$ 27,672	\$ 24,770	\$ 470,749	\$ 17,560	\$ 63,891	\$ 74,269	\$ —

City of Phoenix, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds

Exhibit C-1

June 30, 2017
(in thousands)

	Capital Projects Funds				
	Storm Sewers	Parks, Recreation and Libraries	Public Housing	Municipal Buildings and Service Centers	Transit
ASSETS					
Cash and Cash Equivalents	\$ 169	\$ 218	\$ 520	\$ 63,512	\$ —
Cash Deposits	—	—	—	—	—
Cash and Securities with Fiscal Agents/Trustees	—	—	—	—	—
Investments	676	872	951	36,455	—
Due from Other Funds	—	10,482	—	—	—
Receivables, Net of Allowance					
Accounts Receivable	—	4	—	5	—
Taxes Receivable	—	—	—	—	—
Intergovernmental	—	—	5,459	—	7,918
Accrued Interest	—	—	—	—	—
Notes Receivable	—	—	—	—	—
Prepaid Items	—	—	—	—	—
Total Assets	<u>\$ 845</u>	<u>\$ 11,576</u>	<u>\$ 6,930</u>	<u>\$ 99,972</u>	<u>\$ 7,918</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	—	—	—	—	—
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ —	\$ —	\$ —	\$ 1,081	\$ 2,809
Accounts Payable	3	—	220	593	11,144
Trust Liabilities and Deposits	—	423	—	—	1
Matured Bonds Payable	—	—	—	—	—
Interest Payable	—	—	—	—	—
Hotel Loan Interest Payable	—	—	—	—	—
Advance Payments	—	—	—	—	—
Total Liabilities	<u>3</u>	<u>423</u>	<u>220</u>	<u>1,674</u>	<u>13,954</u>
Deferred Inflows of Resources					
Total Deferred Inflows of Resources	—	—	—	—	—
Fund Balances					
Non-Spendable					
Prepaid Items	—	—	—	—	—
Spendable					
Restricted	842	8,726	6,710	92,133	—
Committed	—	—	—	—	—
Assigned	—	2,427	—	6,165	—
Unassigned	—	—	—	—	(6,036)
Total Fund Balances	<u>842</u>	<u>11,153</u>	<u>6,710</u>	<u>98,298</u>	<u>(6,036)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 845</u>	<u>\$ 11,576</u>	<u>\$ 6,930</u>	<u>\$ 99,972</u>	<u>\$ 7,918</u>

Exhibit C-1
(Continued)

Capital Projects Funds		Debt Service Funds				Total Non-Major Governmental Funds
Sports and Cultural Facilities	Total	Sports Facilities	City Improvement	Special Assessment	Total	
\$ 1,136	\$ 104,590	\$ 7,194	\$ 1,042	\$ 81	\$ 8,317	\$ 199,586
—	—	—	—	—	—	327
—	—	12,083	81,588	2	93,673	96,375
12,732	144,589	28,776	3,350	—	32,126	508,229
—	10,482	—	—	—	—	10,482
—	95	—	—	46	46	5,313
—	149	—	—	—	—	654
—	14,445	—	—	—	—	43,605
4	35	—	—	—	—	101
—	22,448	—	—	—	—	32,751
—	—	—	—	—	—	4,321
\$ 13,872	\$ 296,833	\$ 48,053	\$ 85,980	\$ 129	\$ 134,162	\$ 901,744
—	—	—	—	—	—	—
\$ —	\$ 13,291	\$ —	\$ —	\$ —	\$ —	\$ 14,441
28	17,399	261	—	—	261	35,408
—	424	—	—	—	—	37,261
—	—	6,375	72,515	—	78,890	78,890
—	—	1,441	9,073	2	10,516	10,516
—	—	4,268	—	—	4,268	4,268
—	—	—	—	127	127	19,455
28	31,114	12,345	81,588	129	94,062	200,239
—	—	—	—	—	—	—
—	—	—	—	—	—	4,321
3,430	204,596	—	4,392	—	4,392	505,631
—	16,295	35,708	—	—	35,708	55,304
10,414	60,409	—	—	—	—	151,830
—	(15,581)	—	—	—	—	(15,581)
13,844	265,719	35,708	4,392	—	40,100	701,505
\$ 13,872	\$ 296,833	\$ 48,053	\$ 85,980	\$ 129	\$ 134,162	\$ 901,744

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Special Revenue Funds				
	Highway User Revenue	Municipal Court	Develop- ment Services	Grants	Public Housing
REVENUES					
City Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Intergovernmental	126,058	—	—	99,392	79,808
Charges for Services	7	7,535	64,983	251	—
Fines and Forfeitures	—	—	—	—	—
Parks and Recreation	—	—	—	—	—
Special Assessments	—	—	—	—	—
Investment Income					
Net Change in Fair Value of Investments	(574)	(94)	(516)	(25)	(42)
Interest	890	134	758	41	102
Dwelling Rentals	—	—	—	—	7,825
Other	305	—	6,887	1,454	8,694
Total Revenues	126,686	7,575	72,112	101,113	96,387
EXPENDITURES					
Current Operating					
General Government	—	121	—	1,444	—
Criminal Justice	—	2,293	—	—	—
Public Safety	—	5,534	—	13,256	—
Transportation	52,397	—	—	29	—
Community Enrichment	—	—	—	46,608	10
Community Development	—	—	45,726	33,927	84,319
Environmental Services	—	—	—	212	—
Capital Outlay	45,862	2,115	7,070	5,631	4,140
Debt Service					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Costs	—	—	—	—	—
Arbitrage Rebate and Fiscal Agent Fees	—	—	—	—	—
Total Expenditures	98,259	10,063	52,796	101,107	88,469
Excess (Deficiency) of Revenues Over Expenditures	28,427	(2,488)	19,316	6	7,918
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	1,575	—	—	—	1,971
Transfers to Other Funds	—	—	(2,064)	(6)	(574)
Issuance of Debt					
Municipal Corporation Obligations	—	—	—	—	—
Premium on Municipal Corporation Obligations	—	—	—	—	—
Refunding Bonds	—	—	—	—	—
Deposit to Refunding Escrow	—	—	—	—	—
Total Other Financing Sources (Uses)	1,575	—	(2,064)	(6)	1,397
Net Change in Fund Balances	30,002	(2,488)	17,252	—	9,315
FUND BALANCES, JULY 1	74,185	13,222	110,648	—	21,046
FUND BALANCES, JUNE 30	\$ 104,187	\$ 10,734	\$ 127,900	\$ —	\$ 30,361

Exhibit C-2

(Continued)

Special Revenue Funds					Capital Projects Funds				
Other Restricted	Neighborhood Protection	Public Safety Enhancement	Golf Courses	Total	Capital Construction	Parks and Preserves	Street Improvements	Police and Fire Protection	
\$ 7,549	\$ 30,173	\$ 85,405	\$ —	\$123,127	\$ 11,064	\$ 30,172	\$ —	\$ —	
329	—	—	—	329	—	—	—	—	
689	—	—	—	305,947	—	—	15,507	—	
8,004	—	—	—	80,780	11	—	—	—	
69	—	—	—	69	—	—	—	—	
1,865	—	—	—	1,865	—	—	—	—	
—	—	—	—	—	—	—	—	—	
(261)	(164)	(20)	—	(1,696)	(86)	(451)	(65)	—	
382	257	20	—	2,584	140	673	186	—	
—	—	—	—	7,825	—	—	—	—	
24,693	154	—	—	42,187	10	392	547	—	
43,319	30,420	85,405	—	563,017	11,139	30,786	16,175	—	
3,155	—	—	—	4,720	—	—	—	—	
—	—	—	—	2,293	—	—	—	—	
20,193	25,139	69,193	—	133,315	—	—	—	—	
2,116	—	—	—	54,542	130	—	—	—	
2,957	—	—	—	49,575	—	3,640	—	—	
4,086	—	—	—	168,058	—	—	—	—	
2,475	—	—	—	2,687	68	—	—	—	
5,791	—	—	—	70,609	5,613	18,941	29,593	1,334	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	59	—	
—	—	—	—	—	—	—	—	—	
40,773	25,139	69,193	—	485,799	5,811	22,581	29,652	1,334	
2,546	5,281	16,212	—	77,218	5,328	8,205	(13,477)	(1,334)	
18,629	—	—	—	22,175	—	—	—	100	
(7,409)	—	—	(1,253)	(11,306)	—	(4)	(2,602)	—	
—	—	—	—	—	—	—	25,080	—	
—	—	—	—	—	—	—	4,979	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
11,220	—	—	(1,253)	10,869	—	(4)	27,457	100	
13,766	5,281	16,212	(1,253)	88,087	5,328	8,201	13,980	(1,234)	
57,707	20,985	8,553	1,253	307,599	10,967	53,136	58,841	(8,311)	
\$ 71,473	\$ 26,266	\$ 24,765	\$ —	\$395,686	\$ 16,295	\$ 61,337	\$ 72,821	\$ (9,545)	

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

(Continued)

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Capital Projects Funds				
	Storm Sewers	Parks, Recreation and Libraries	Public Housing	Municipal Buildings and Service Centers	Transit
REVENUES					
City Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Intergovernmental	—	—	9,572	—	57,943
Charges for Services	—	—	—	—	—
Fines and Forfeitures	—	—	—	—	—
Parks and Recreation	—	—	—	—	—
Special Assessments	—	—	—	—	—
Investment Income					
Net Change in Fair Value of Investments	—	(17)	(24)	52	—
Interest	—	23	34	189	—
Dwelling Rentals	—	—	—	—	—
Other	—	7	—	139	358
Total Revenues	—	13	9,582	380	58,301
EXPENDITURES					
Current Operating					
General Government	—	—	—	—	—
Criminal Justice	—	—	—	—	—
Public Safety	—	—	—	—	—
Transportation	—	—	—	—	—
Community Enrichment	—	—	—	—	—
Community Development	—	—	—	—	—
Environmental Services	—	—	—	—	—
Capital Outlay	556	940	4,822	12,038	64,679
Debt Service					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Costs	—	—	—	202	—
Arbitrage Rebate and Fiscal Agent Fees	—	—	—	—	—
Total Expenditures	556	940	4,822	12,240	64,679
Excess (Deficiency) of Revenues Over Expenditures	(556)	(927)	4,760	(11,860)	(6,378)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	2	—	—	11,108	66
Transfers to Other Funds	—	—	—	(1,740)	—
Issuance of Debt					
Municipal Corporation Obligations	—	—	—	91,755	—
Premium on Municipal Corporation Obligations	—	—	—	11,841	—
Refunding Bonds	—	—	—	—	—
Deposit to Refunding Escrow	—	—	—	—	—
Total Other Financing Sources (Uses)	2	—	—	112,964	66
Net Change in Fund Balances	(554)	(927)	4,760	101,104	(6,312)
FUND BALANCES, JULY 1	1,396	12,080	1,950	(2,806)	276
FUND BALANCES, JUNE 30	\$ 842	\$ 11,153	\$ 6,710	\$ 98,298	\$ (6,036)

Exhibit C-2

(Continued)

Capital Projects Funds		Debt Service Funds					Total Non-Major Governmental Funds
Sports and Cultural Facilities	Total	Sports Facilities	City Improvement	Special Assessment	Total		
\$ —	\$ 41,236	\$ 18,435	\$ —	\$ —	\$ 18,435	\$ 182,798	
—	—	—	—	—	—	329	
—	83,022	—	—	—	—	388,969	
—	11	—	—	—	—	80,791	
—	—	—	—	—	—	69	
—	—	—	—	—	—	1,865	
—	—	—	—	14	14	14	
(23)	(614)	(225)	—	—	(225)	(2,535)	
79	1,324	338	—	—	338	4,246	
—	—	—	—	—	—	7,825	
283	1,736	8,682	—	—	8,682	52,605	
339	126,715	27,230	—	14	27,244	716,976	
—	—	137	—	—	137	4,857	
—	—	—	—	—	—	2,293	
—	—	1,345	—	—	1,345	134,660	
—	130	—	—	—	—	54,672	
—	3,640	821	—	—	821	54,036	
—	—	458	—	—	458	168,516	
—	68	—	—	—	—	2,755	
65	138,581	124	—	—	124	209,314	
—	—	6,375	72,515	18	78,908	78,908	
—	—	11,465	21,906	4	33,375	33,375	
—	261	—	254	—	254	515	
—	—	2	13	—	15	15	
65	142,680	20,727	94,688	22	115,437	743,916	
274	(15,965)	6,503	(94,688)	(8)	(88,193)	(26,940)	
—	11,276	4,649	95,460	8	100,117	133,568	
—	(4,346)	—	(1,026)	—	(1,026)	(16,678)	
—	116,835	—	—	—	—	116,835	
—	16,820	—	12,158	—	12,158	28,978	
—	—	—	73,495	—	73,495	73,495	
—	—	—	(85,283)	—	(85,283)	(85,283)	
—	140,585	4,649	94,804	8	99,461	250,915	
274	124,620	11,152	116	—	11,268	223,975	
13,570	141,099	24,556	4,276	—	28,832	477,530	
<u>\$ 13,844</u>	<u>\$ 265,719</u>	<u>\$ 35,708</u>	<u>\$ 4,392</u>	<u>\$ —</u>	<u>\$ 40,100</u>	<u>\$ 701,505</u>	



City of Phoenix

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Financial Section

Other Supplementary
Information

Nonmajor
Governmental
Funds - Budgetary
Comparison
Schedules

City of Phoenix, Arizona
Schedule of Expenditures and Encumbrances
Budget and Actual - Budget Basis
General Fund

Exhibit D-1

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budget			Actual			Variance with Final Budget Positive (Negative)
	Originally Adopted	Reallocation Transfers	Final	Expenditures	Encumbrances	Total	
General Government							
Mayor	\$ 1,831	\$ —	\$ 1,831	\$ 1,536	\$ 23	\$ 1,559	\$ 272
City Council	3,537	—	3,537	3,318	34	3,352	185
City Manager	2,361	—	2,361	2,219	16	2,235	126
City Auditor	2,777	—	2,777	2,271	85	2,356	421
Information Technology	35,646	—	35,646	30,206	3,638	33,844	1,802
Equal Opportunity	2,552	—	2,552	2,075	64	2,139	413
City Clerk	4,230	—	4,230	3,427	214	3,641	589
Elections	483	—	483	526	62	588	(105)
Human Resources	10,745	—	10,745	10,334	100	10,434	311
Office of Sustainability	424	—	424	424	5	429	(5)
Law	20,266	—	20,266	18,300	248	18,548	1,718
Budget and Research	3,281	—	3,281	2,996	48	3,044	237
Finance	23,274	—	23,274	20,035	1,100	21,135	2,139
Other	1,200	—	1,200	943	135	1,078	122
Total General Government	112,607	—	112,607	98,610	5,772	104,382	8,225
Criminal Justice							
Municipal Court	28,112	—	28,112	26,606	289	26,895	1,217
Public Defender	5,094	—	5,094	4,714	(14)	4,700	394
Total Criminal Justice	33,206	—	33,206	31,320	275	31,595	1,611
Public Safety							
Police	498,785	7,900	506,685	493,527	4,742	498,269	8,416
Fire	273,282	—	273,282	260,597	5,556	266,153	7,129
Other	93	—	93	53	7	60	33
Total Public Safety	772,160	7,900	780,060	754,177	10,305	764,482	15,578
Transportation							
Street Transportation	18,162	(1,500)	16,662	5,556	8,504	14,060	2,602
Public Transit	1,652	—	1,652	1,230	322	1,552	100
Total Transportation	19,814	(1,500)	18,314	6,786	8,826	15,612	2,702
Community Enrichment							
Parks & Recreation	91,391	—	91,391	87,327	1,705	89,032	2,359
Library	35,282	—	35,282	32,731	1,981	34,712	570
Human Services	18,511	—	18,511	15,996	1,301	17,297	1,214
Other	5,824	—	5,824	5,524	184	5,708	116
Total Community Enrichment	151,008	—	151,008	141,578	5,171	146,749	4,259
Community Development							
Economic Development	5,064	—	5,064	4,532	167	4,699	365
Neighborhood Services	12,115	—	12,115	10,943	33	10,976	1,139
Other	4,375	—	4,375	3,971	63	4,034	341
Total Community Development	21,554	—	21,554	19,446	263	19,709	1,845
Environmental Services							
Public Works	13,615	—	13,615	3,868	8,407	12,275	1,340
Other	669	—	669	479	20	499	170
Total Environmental Services	14,284	—	14,284	4,347	8,427	12,774	1,510
Cable							
General Government	2,391	—	2,391	2,269	103	2,372	19
Transportation	2,110	300	2,410	2,266	—	2,266	144
Total Cable	4,501	300	4,801	4,535	103	4,638	163
Capital							
Community Enrichment	200	—	200	1	170	171	29
General Government	4,282	(600)	3,682	474	2,850	3,324	358
Public Safety	3,869	(3,801)	68	—	—	—	68
Environmental Services	1,575	601	2,176	1,426	500	1,926	250
Total Capital	9,926	(3,800)	6,126	1,901	3,520	5,421	705
Contingency	83,146	—	83,146	—	—	—	83,146
Totals	\$ 1,222,206	\$ 2,900	\$ 1,225,106	\$ 1,062,700	\$ 42,662	\$ 1,105,362	\$ 119,744

City of Phoenix, Arizona
Budgetary Comparison Schedule
Excise Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2017
(in thousands)

Exhibit D-2

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
City Taxes	\$ 880,241	\$ 880,241	\$ 872,307	\$ (7,934)
Licenses and Permits	2,786	2,786	2,879	93
Intergovernmental	328,906	328,906	335,201	6,295
Total Revenues	1,211,933	1,211,933	1,210,387	(1,546)
OTHER FINANCING USES				
Transfers to Other Funds				
General Fund	(737,539)	(737,539)	(744,408)	(6,869)
Transportation Tax 2050	(206,782)	(206,782)	(202,842)	3,940
Parks and Preserves	(29,634)	(29,634)	(30,082)	(448)
Sports Facilities	(18,702)	(18,702)	(18,435)	267
Capital Construction	(12,001)	(12,001)	(11,064)	937
Police Neighborhood Protection	(20,744)	(20,744)	(21,058)	(314)
Block Watch Neighborhood Protection	(1,481)	(1,481)	(1,505)	(24)
Fire Neighborhood Protection	(7,413)	(7,413)	(7,521)	(108)
Police Public Safety Enhancement	(16,592)	(16,592)	(15,536)	1,056
Fire Public Safety Enhancement	(10,169)	(10,169)	(9,523)	646
Police Public Safety Expansion	(47,415)	(47,415)	(48,134)	(719)
Fire Public Safety Expansion	(11,854)	(11,854)	(12,033)	(179)
City Improvement	(40,139)	(40,139)	(34,380)	5,759
Phoenix Convention Center	(46,726)	(46,726)	(49,051)	(2,325)
Other Restricted Funds	(4,743)	(4,743)	(4,815)	(72)
Total Other Financing Uses	(1,211,934)	(1,211,934)	(1,210,387)	1,547
Net Change in Fund Balance	\$ (1)	\$ (1)	—	\$ 1
Fund Balance, July 1			—	
Fund Balance, June 30			\$ —	

Budgetary Comparison Schedule

Highway User Revenue Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ —	\$ —	\$ 4	\$ 4
Intergovernmental				
Highway User	115,992	115,992	126,058	10,066
Interest	400	400	771	371
Miscellaneous	150	150	309	159
Total Revenues	116,542	116,542	127,142	10,600
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Transportation	51,356	51,356	52,397	(1,041)
Capital	95,976	95,976	74,304	21,672
Total Expenditures and Encumbrances	147,332	147,332	126,701	20,631
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(30,790)	(30,790)	441	31,231
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds				
Other Restricted Special Revenue Fund	—	—	1,575	1,575
Transfers To Other Funds				
Transportation Tax 2050 Special Revenue Fund	(5,000)	(5,000)	—	5,000
Recovery of Prior Years Expenditures	500	500	1,477	977
Total Other Financing Sources (Uses)	(4,500)	(4,500)	3,052	7,552
Net Change in Fund Balance	<u>\$ (35,290)</u>	<u>\$ (35,290)</u>	3,493	<u>\$ 38,783</u>
Fund Balance, July 1			51,922	
Fund Balance, June 30			<u>\$ 55,415</u>	

Budgetary Comparison Schedule

Municipal Court Awards Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 4,089	\$ 4,089	\$ 6,405	\$ 2,316
Total Revenues	4,089	4,089	6,405	2,316
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	173	173	129	44
Public Safety	3,916	6,916	5,645	1,271
Capital	900	900	325	575
Total Expenditures and Encumbrances	4,989	7,989	6,099	1,890
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(900)	(3,900)	306	4,206
OTHER FINANCING SOURCES				
Recovery of Prior Years Expenditures	—	—	18	18
Total Other Financing Sources	—	—	18	18
Net Change in Fund Balance	\$ (900)	\$ (3,900)	324	\$ 4,224
Fund Balance, July 1			(89)	
Fund Balance, June 30			\$ 235	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Development Services Special Revenue Fund

Exhibit D-5

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ —	\$ —	\$ 290	\$ 290
Charges for Services	47,048	47,048	53,343	6,295
Miscellaneous	10	10	(223)	(233)
Total Revenues	47,058	47,058	53,410	6,352
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Development	48,524	47,599	41,879	5,720
Capital	357	1,282	333	949
Contingency	4,000	4,000	—	4,000
Total Expenditures and Encumbrances	52,881	52,881	42,212	10,669
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(5,823)	(5,823)	11,198	17,021
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds				
General Fund				
Staff and Administrative	(2,974)	(2,974)	(3,289)	(315)
City Improvement Debt Service Fund	(90)	(90)	—	90
Recovery of Prior Years Expenditures	—	—	71	71
Total Other Financing Sources (Uses)	(3,064)	(3,064)	(3,218)	(154)
Net Change in Fund Balance	<u>\$ (8,887)</u>	<u>\$ (8,887)</u>	7,980	<u>\$ 16,867</u>
Fund Balance, July 1			46,240	
Fund Balance, June 30			<u>\$ 54,220</u>	

Budgetary Comparison Schedule

Community Reinvestment Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 118	\$ 118	\$ 142	\$ 24
Rentals	5,191	5,191	5,004	(187)
Interest	85	85	123	38
Miscellaneous	20	20	1,799	1,779
Total Revenues	5,414	5,414	7,068	1,654
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Development	432	432	388	44
Capital	7,057	7,057	4,747	2,310
Total Expenditures and Encumbrances	7,489	7,489	5,135	2,354
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(2,075)	(2,075)	1,933	4,008
OTHER FINANCING USES				
Transfers to Other Funds				
General Fund				
Other	(2,064)	(2,064)	(2,064)	—
Total Other Financing Uses	(2,064)	(2,064)	(2,064)	—
Net Change in Fund Balance	\$ (4,139)	\$ (4,139)	(131)	\$ 4,008
Fund Balance, July 1			12,161	
Fund Balance, June 30			\$ 12,030	

Budgetary Comparison Schedule

Federal Operating Trust Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 37,311	\$ 37,311	\$ 35,747	\$ (1,564)
Interest	2	2	20	18
Miscellaneous	379	379	1,202	823
Total Revenues	37,692	37,692	36,969	(723)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	911	911	1,191	(280)
Public Safety	7,014	7,014	15,036	(8,022)
Transportation	45	45	50	(5)
Community Enrichment	1,266	1,266	1,168	98
Community Development	27,345	31,445	19,622	11,823
Environmental Services	339	339	95	244
Capital	772	772	—	772
Total Expenditures and Encumbrances	37,692	41,792	37,162	4,630
Deficiency of Revenues Over Expenditures and Encumbrances	—	(4,100)	(193)	3,907
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds				
Other Restricted Special Revenue Funds	—	—	(6)	(6)
Recovery of Prior Years Expenditures	—	—	199	199
Total Other Financing Sources (Uses)	—	—	193	193
Net Change in Fund Balance	\$ —	\$ (4,100)	—	\$ 4,100
Fund Balance, July 1			—	
Fund Balance, June 30			\$ —	

Budgetary Comparison Schedule

Community Development Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 39,920	\$ 39,920	\$ 19,373	\$ (20,547)
Charges for Services	—	—	252	252
Interest	—	—	4	4
Miscellaneous	63	63	217	154
Total Revenues	39,983	39,983	19,846	(20,137)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	226	226	252	(26)
Community Enrichment	546	546	526	20
Community Development	34,058	30,339	13,198	17,141
Capital	5,153	8,872	6,050	2,822
Total Expenditures and Encumbrances	39,983	39,983	20,026	19,957
Deficiency of Revenues Over Expenditures and Encumbrances	—	—	(180)	(180)
OTHER FINANCING SOURCES				
Recovery of Prior Year Expenditures	—	—	12	\$ 12
Total Other Financing Sources	—	—	12	12
Net Change in Fund Balance	\$ —	\$ —	(168)	\$ (168)
Fund Balance, July 1			3,959	
Fund Balance, June 30			\$ 3,791	

Budgetary Comparison Schedule

Human Services Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 43,058	\$ 43,058	\$ 46,038	\$ 2,980
Contributions/Donations	32	32	35	3
Interest	10	10	11	1
Total Revenues	43,100	43,100	46,084	2,984
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Enrichment	43,100	50,200	46,200	4,000
Total Expenditures and Encumbrances	43,100	50,200	46,200	4,000
Deficiency of Revenues Over Expenditures and Encumbrances	—	(7,100)	(116)	6,984
OTHER FINANCING SOURCES				
Recovery of Prior Years Expenditures	—	—	116	116
Total Other Financing Sources	—	—	116	116
Net Change in Fund Balance	\$ —	\$ (7,100)	—	\$ 7,100
Fund Balance, July 1			—	
Fund Balance, June 30			\$ —	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Public Housing Special Revenue Fund

Exhibit D-10

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ 85	\$ 85	\$ (4)	(89)
Intergovernmental	79,392	79,392	75,133	(4,259)
Charges for Services	—	—	5	5
Interest	32	32	14	(18)
Dwelling Rentals	4,551	4,551	5,475	924
Miscellaneous	2,989	2,989	9,100	6,111
Total Revenues	87,049	87,049	89,723	2,674
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Enrichment	—	—	10	(10)
Community Development	84,709	84,709	81,604	3,105
Capital	11,411	11,411	2,893	8,518
Total Expenditures and Encumbrances	96,120	96,120	84,507	11,613
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(9,071)	(9,071)	5,216	14,287
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Other Restricted Special Revenue Funds	—	—	170	170
Interest Alignment Trust	—	—	1,971	1,971
Transfers to Other Funds				
General Fund				
In-Lieu Property Taxes	(302)	(302)	(261)	41
City Improvement	(74)	(74)	(73)	1
Recovery of Prior Years Expenditures	—	—	161	161
Total Other Financing Sources (Uses)	(376)	(376)	1,968	2,344
Net Change in Fund Balance	<u>\$ (9,447)</u>	<u>\$ (9,447)</u>	7,184	<u>\$ 16,631</u>
Fund Balance, July 1			8,694	
Fund Balance, June 30			<u>\$ 15,878</u>	

Budgetary Comparison Schedule

Public Housing Neighborhood Transformation Grant Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ —	\$ —	\$ 125	\$ 125
Intergovernmental	1,795	1,795	2,100	305
Interest	2	2	8	6
Miscellaneous	137	137	354	217
Total Revenues	1,934	1,934	2,587	653
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Development	265	265	673	(408)
Capital	1,669	1,669	624	1,045
Total Expenditures and Encumbrances	1,934	1,934	1,297	637
Excess of Revenues Over Expenditures and Encumbrances	—	—	1,290	1,290
OTHER FINANCING SOURCES				
Recovery of Prior Year Expenditures	\$ —	\$ —	6	6
Total Other Financing Sources	—	—	6	6
Net Change in Fund Balance	\$ —	\$ —	1,296	\$ 1,296
Fund Balance, July 1			2,517	
Fund Balance, June 30			\$ 3,813	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Sports Facilities Special Revenue Fund
For the Fiscal Year Ended June 30, 2017
(in thousands)

Exhibit D-12

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 146	\$ 146	\$ 293	\$ 147
Hotel Debt Service Reimbursement	8,536	8,536	8,583	\$ 47
Miscellaneous	134	134	100	(34)
Total Revenues	8,816	8,816	8,976	160
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	129	129	137	(8)
Public Safety	1,345	1,345	1,344	1
Community Enrichment	626	626	627	(1)
Community Development	161	161	160	1
Capital	250	250	249	1
Debt Service				
Arbitrage Rebate and Fiscal Agent Fees	2	2	2	—
Other	1,000	2,000	46	1,954
Lease-Purchase Payments	9,257	9,257	9,257	—
Lease-Purchase Payments (Hotel Debt Service)	8,536	8,536	8,583	(47)
Total Expenditures and Encumbrances	21,306	22,306	20,405	1,901
Deficiency of Revenues Over Expenditures and Encumbrances	(12,490)	(13,490)	(11,429)	2,061
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds				
Excise Tax Special Revenue Fund	18,702	18,702	18,435	(267)
Capital Project Fund	1,026	1,026	1,026	—
Other Restricted Special Revenue Fund	—	—	3,622	3,622
Transfers to Other Funds				
General Fund				
Staff and Administrative	(196)	(196)	(220)	(24)
Other	(79)	(79)	(79)	—
Recovery of Prior Years Expenditures	—	—	1	1
Total Other Financing Sources (Uses)	19,453	19,453	22,785	3,332
Net Change in Fund Balance	\$ 6,963	\$ 5,963	11,356	\$ 5,393
Fund Balance, July 1			26,453	
Fund Balance, June 30			\$ 37,809	

Budgetary Comparison Schedule

Capital Construction Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 50	\$ 50	\$ 122	\$ 72
Miscellaneous	—	—	20	20
Total Revenues	50	50	142	92
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Transportation	130	130	130	—
Environmental Services	70	70	68	2
Capital	13,541	13,541	6,064	7,477
Total Expenditures and Encumbrances	13,741	13,741	6,262	7,479
Deficiency of Revenues Over Expenditures and Encumbrances	(13,691)	(13,691)	(6,120)	7,571
OTHER FINANCING SOURCES				
Transfer from Other Funds				
Excise Tax Special Revenue Fund	12,001	12,001	11,064	(937)
Recovery of Prior Years Expenditures	—	—	243	243
Total Other Financing Sources	12,001	12,001	11,307	(694)
Net Change in Fund Balance	<u>\$ (1,690)</u>	<u>\$ (1,690)</u>	5,187	<u>\$ 6,877</u>
Fund Balance, July 1			6,037	
Fund Balance, June 30			<u>\$ 11,224</u>	

Budgetary Comparison Schedule

Parks and Preserves Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ —	\$ —	\$ 410	\$ 410
Interest	357	357	585	228
Miscellaneous	—	—	59	59
Total Revenues	357	357	1,054	697
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Enrichment	4,017	4,417	3,989	428
Capital	55,057	54,657	31,169	23,488
Total Expenditures and Encumbrances	59,074	59,074	35,158	23,916
Deficiency of Revenues Over Expenditures and Encumbrances	(58,717)	(58,717)	(34,104)	24,613
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	29,634	29,634	30,082	448
Enterprise Funds	—	—	90	90
Transfers to Other Funds				
Infrastructure Repayment Agreement Trust	(26)	(26)	(4)	22
Recovery of Prior Years Expenditures	50	50	413	363
Total Other Financing Sources (Uses)	29,658	29,658	30,581	923
Net Change in Fund Balance	<u>\$ (29,059)</u>	<u>\$ (29,059)</u>	<u>(3,523)</u>	<u>\$ 25,536</u>
Fund Balance, July 1			47,318	
Fund Balance, June 30			<u>\$ 43,795</u>	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Other Restricted Special Revenue Funds

Exhibit D-15

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions/Donations	\$ 1,260	\$ 1,260	\$ 1,402	\$ 142
Licenses and Permits	567	567	329	(238)
City Taxes	3,111	3,111	2,735	(376)
Intergovernmental	533	533	689	156
Charges for Services	11,389	11,389	9,114	(2,275)
Fines and Forfeitures	32	32	69	37
Parks and Recreation	2,580	2,580	2,326	(254)
Rentals	6,248	6,248	6,720	472
Interest	314	314	533	219
Miscellaneous	3,919	3,919	17,363	13,444
Total Revenues	29,953	29,953	41,280	11,327
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	2,251	2,251	1,794	457
Criminal Justice	7,444	7,444	2,346	5,098
Public Safety	22,876	22,876	20,998	1,878
Transportation	2,648	2,648	2,465	183
Community Enrichment	4,808	4,446	3,159	1,287
Community Development	8,117	8,117	6,967	1,150
Environmental Services	2,939	2,939	2,489	450
Capital	15,819	16,181	5,374	10,807
Total Expenditures and Encumbrances	66,902	66,902	45,592	21,310
Deficiency of Revenues Over Expenditures and Encumbrances	(36,949)	(36,949)	(4,312)	32,637
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	6,049	6,049	4,815	(1,234)
General Fund - Library	—	—	337	337
General Fund - Other	17,463	17,463	17,672	209
Capital Projects Fund	—	—	614	614
Federal Operating Trust Grants Special Revenue Fund	—	—	6	6
Transfers to Other Funds				
General Fund - Staff and Administrative	(222)	(222)	(197)	25
General Fund - Other	(1,511)	(1,511)	(1,448)	63
Transportation Tax 2050 Special Revenue Fund	—	—	(510)	(510)
Sports Facilities Special Revenue Fund	—	—	(3,622)	(3,622)
Housing Special Revenue Fund	—	—	(170)	(170)
Highway User Special Revenue Fund	—	—	(1,575)	(1,575)
Transit Capital Projects Fund	—	—	(66)	(66)
Water Capital Fund	—	—	(187)	(187)
Recovery of Prior Years Expenditures	—	—	300	300
Total Other Financing Sources (Uses)	21,779	21,779	15,969	(5,810)
Net Change in Fund Balance	<u>\$ (15,170)</u>	<u>\$ (15,170)</u>	<u>11,657</u>	<u>\$ 26,827</u>
Fund Balance, July 1			73,909	
Fund Balance, June 30			<u>\$ 85,566</u>	

Budgetary Comparison Schedule

Neighborhood Protection Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 124	\$ 124	\$ 224	\$ 100
Miscellaneous	171	171	242	71
Total Revenues	295	295	466	171
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Public Safety	31,909	31,909	25,048	6,861
Total Expenditures and Encumbrances	31,909	31,909	25,048	6,861
Deficiency of Revenues Over Expenditures and Encumbrances	(31,614)	(31,614)	(24,582)	7,032
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	29,638	29,638	30,084	446
Enterprise Funds	—	—	90	90
Transfers to Other Funds				
General Fund				
Staff and Administrative	(223)	(223)	(173)	50
Infrastructure Repayment Agreement Trust	(26)	(26)	—	26
Recovery of Prior Years Expenditures	—	—	1	1
Total Other Financing Sources (Uses)	29,389	29,389	30,002	613
Net Change in Fund Balance	\$ (2,225)	\$ (2,225)	\$ 5,420	\$ 7,645
Fund Balance, July 1			18,121	
Fund Balance, June 30			\$ 23,541	

Budgetary Comparison Schedule

Public Safety Enhancement Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Public Safety	25,683	25,683	19,440	6,243
Total Expenditures and Encumbrances	25,683	25,683	19,440	6,243
Deficiency of Revenues Over Expenditures and Encumbrances	(25,683)	(25,683)	(19,440)	6,243
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	26,761	26,761	25,059	(1,702)
Transfers to Other Funds				
General Fund				
Staff and Administrative	(206)	(206)	(290)	(84)
Total Other Financing Sources (Uses)	26,555	26,555	24,769	(1,786)
Net Change in Fund Balance	<u>\$ 872</u>	<u>\$ 872</u>	<u>\$ 5,329</u>	<u>\$ 4,457</u>
Fund Balance, July 1			4,382	
Fund Balance, June 30			<u>\$ 9,711</u>	

Budgetary Comparison Schedule

Public Safety Expansion Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 45	\$ 45	\$ 17	\$ (28)
Total Revenues	45	45	17	(28)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Public Safety	64,378	64,378	49,037	15,341
Total Expenditures and Encumbrances	64,378	64,378	49,037	15,341
Deficiency of Revenues Over Expenditures and Encumbrances	(64,333)	(64,333)	(49,020)	15,313
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Excise Tax Special Revenue Fund	59,269	59,269	60,167	898
Enterprise Funds	—	—	179	179
Transfers to Other Funds				
General Fund				
Staff and Administrative	(474)	(474)	(406)	68
Infrastructure Repayment Agreement Trust	(52)	(52)	—	52
Recovery of Prior Years Expenditures	—	—	1	1
Total Other Financing Sources (Uses)	58,743	58,743	59,941	1,198
Net Change in Fund Balance	<u>\$ (5,590)</u>	<u>\$ (5,590)</u>	10,921	<u>\$ 16,511</u>
Fund Balance, July 1			4,240	
Fund Balance, June 30			<u>\$ 15,161</u>	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Golf Courses Special Revenue Fund

Exhibit D-19

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 5,786	\$ 5,786	\$ 5,233	\$ (553)
Rentals	240	240	343	103
Interest	(10)	(10)	1	11
Miscellaneous	5	5	193	188
Total Revenues	6,021	6,021	5,770	(251)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
Community Enrichment	5,684	6,284	5,841	443
Total Expenditures and Encumbrances	5,684	6,284	5,841	443
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	337	(263)	(71)	192
OTHER FINANCING SOURCES				
Recovery of Prior Years Expenditures	—	—	4	4
Total Other Financing Sources	—	—	4	4
Net Change in Fund Balance	<u>\$ 337</u>	<u>\$ (263)</u>	(67)	<u>\$ 196</u>
Fund Balance, July 1			317	
Fund Balance, June 30			<u>\$ 250</u>	

City of Phoenix, Arizona
Budgetary Comparison Schedule
Regional Wireless Cooperative
For the Fiscal Year Ended June 30, 2017
(in thousands)

Exhibit D-20

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 3,697	\$ 3,697	\$ 2,828	\$ (869)
Interest	24	24	51	27
Miscellaneous	1,246	1,246	1,244	(2)
Total Revenues	4,967	4,967	4,123	(844)
EXPENDITURES AND ENCUMBRANCES				
Operations	5,085	5,585	4,693	892
Total Expenditures and Encumbrances	5,085	5,585	4,693	892
Deficiency of Revenues Over Expenditures and Encumbrances	(118)	(618)	(570)	48
Net Change in Fund Balance	<u>\$ (118)</u>	<u>\$ (618)</u>	<u>(570)</u>	<u>\$ 48</u>
Fund Balance, July 1			2,326	
Fund Balance, June 30			<u>\$ 1,756</u>	

Budgetary Comparison Schedule

Secondary Property Tax Debt Service Fund

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 90,622	\$ 90,622	\$ 91,021	\$ 399
Intergovernmental	4,742	4,742	4,737	(5)
Interest	—	—	1	1
Total Revenues	95,364	95,364	95,759	395
EXPENDITURES AND ENCUMBRANCES				
General Obligation Bond Debt Service				
Principal	70,300	70,300	70,300	—
Interest	56,826	56,826	55,665	1,161
Arbitrage Rebate and Fiscal Agent Fees	1	1	1	—
Other Debt Service Costs	—	—	729	(729)
Total Expenditures and Encumbrances	127,127	127,127	126,695	432
Deficiency of Revenues Over Expenditures and Encumbrances	(31,763)	(31,763)	(30,936)	827
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	—	—	355,933	355,933
Transfers from Other Funds				
Debt Service - General Obligation Reserve Fund	31,763	31,763	30,112	(1,651)
Deposit to Refunding Escrow	—	—	(354,683)	(354,683)
Total Other Financing Sources (Uses)	31,763	31,763	31,362	(401)
Net Change in Fund Balance	\$ —	\$ —	\$ 426	\$ 426
Fund Balance, July 1			100	
Fund Balance, June 30			\$ 526	

City of Phoenix, Arizona
Budgetary Comparison Schedule
City Improvement Debt Service Fund

Exhibit D-22

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES AND ENCUMBRANCES				
Lease-Purchase Payments	\$ 102,497	\$ 102,497	\$ 94,421	\$ 8,076
Arbitrage Rebate and Fiscal Agent Fees	18	18	14	4
Other Debt Service Costs	1	1	133	(132)
Total Expenditures and Encumbrances	102,516	102,516	94,568	7,948
Deficiency of Revenues Over Expenditures and Encumbrances	(102,516)	(102,516)	(94,568)	7,948
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	—	—	85,533	85,533
Transfers from Other Funds				
Excise Tax Special Revenue Fund	40,139	40,139	34,380	(5,759)
Transit 2000 Special Revenue Fund	23,022	23,022	46,332	23,310
Public Housing Special Revenue Fund	74	74	73	(1)
Enterprise Funds	2,052	2,052	—	(2,052)
Development Services Special Revenue Fund	90	90	—	(90)
Transportation Tax 2050 Special Revenue Fund	38,028	38,028	14,675	(23,353)
Deposits to Refunding Escrow	—	—	(85,283)	(85,283)
Transfers to Other Funds				
Capital Projects Fund	(1,026)	(1,026)	(1,026)	—
Total Other Financing Sources (Uses)	102,379	102,379	94,684	(7,695)
Net Change in Fund Balance	<u>\$ (137)</u>	<u>\$ (137)</u>	<u>116</u>	<u>\$ 253</u>
Fund Balance, July 1			—	
Fund Balance, June 30			<u>\$ 116</u>	



Financial Section

Other Supplementary Information

Enterprise Funds – Comparative Statements and Schedules

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

Aviation - to account for the operations of Sky Harbor International Airport, Deer Valley Airport and Goodyear Airport.

Phoenix Convention Center - to account for the operations of the Phoenix Convention Center and theatrical facilities.

Water System - to account for the operations of the City's water system, including the Val Vista Water Treatment Plant, a joint-use agreement with the City of Mesa.

Wastewater - to account for the operations of the City's sanitary sewer system, including facilities serving the Sub Regional Operating Group, a joint-use agreement with the Cities of Glendale, Mesa, Scottsdale and Tempe.

Solid Waste - to account for the operations of the City's landfills and its solid waste collection system.



City of Phoenix

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Net Position

Exhibit E-1

June 30, 2017 and 2016

(in thousands)

	2017	2016
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 69,970	\$ 76,667
Investments	295,482	298,945
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2017, \$0 and 2016, \$1,320)	16,126	10,703
Intergovernmental	354	180
Deposits in Escrow	326	326
Inventories, at Average Cost	2,827	1,711
Total Unrestricted Current Assets	<u>385,085</u>	<u>388,532</u>
Restricted Assets		
Debt Service		
Cash with Fiscal Agent/Trustee	218,971	217,215
Accrued Interest Receivable	11	4
Customer Facility Charge		
Cash with Fiscal Agent/Trustee	74,887	65,615
Investments	21,945	21,865
Accounts Receivable	3,610	3,144
Capital Projects		
Cash and Cash Equivalents	32,184	47,371
Investments	99,203	90,456
Receivables		
Intergovernmental	10,836	6,426
Passenger Facility Charges	11,093	7,649
Total Restricted Current Assets	<u>472,740</u>	<u>459,745</u>
Total Current Assets	<u>857,825</u>	<u>848,277</u>
Noncurrent Assets		
Capital Assets		
Land	574,238	574,195
Buildings	1,744,512	1,623,818
Improvements Other Than Buildings	1,643,995	1,636,664
Equipment	672,068	631,930
Intangibles	25,620	23,705
Construction in Progress	148,709	186,299
Less: Accumulated Depreciation	(2,065,636)	(1,947,678)
Total Capital Assets, Net of Accumulated Depreciation	<u>2,743,506</u>	<u>2,728,933</u>
OPEB Asset	70	69
Total Noncurrent Assets	<u>2,743,576</u>	<u>2,729,002</u>
Total Assets	<u>3,601,401</u>	<u>3,577,279</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Loss on Refunding Bonds	1,032	1,101
Pension Related	17,158	34,187
Total Deferred Outflows of Resources	<u>18,190</u>	<u>35,288</u>

Exhibit E-1

(Continued)

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Accounts Payable	22,859	28,878
Trust Liabilities and Deposits	4,094	3,259
Advance Payments	12,793	19,045
Current Portion of Pollution Remediation	—	75
Current Portion of Accrued Compensated Absences	921	825
Total Current Liabilities Payable from Current Assets	<u>40,667</u>	<u>52,082</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Commercial Paper Notes Payable	180,000	130,000
Matured Bonds Payable	50,525	47,390
Interest Payable	36,372	37,679
Current Portion of Rental Car Facility Revenue Bonds	10,370	9,795
Current Portion of Municipal Corporation Obligations	42,845	40,730
Capital Projects		
Accounts Payable	45,596	31,293
Total Current Liabilities Payable from Restricted Assets	<u>365,708</u>	<u>296,887</u>
Total Current Liabilities	<u>406,375</u>	<u>348,969</u>
Noncurrent Liabilities		
General Obligation Bonds, net	8,045	8,119
Rental Car Facility Revenue Bonds, net	165,885	176,255
Municipal Corporation Obligations, net	1,182,987	1,407,250
Pollution Remediation	2,200	2,300
Accrued Compensated Absences	5,985	5,595
Net Pension Liability	172,238	180,787
Total Noncurrent Liabilities	<u>1,537,340</u>	<u>1,780,306</u>
Total Liabilities	<u>1,943,715</u>	<u>2,129,275</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Gain on Refunding Bonds	718	760
Pension Related	9,717	13,382
Total Deferred Inflows of Resources	<u>10,435</u>	<u>14,142</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,103,164	1,104,662
Restricted for:		
Debt Service	132,014	132,014
Passenger Facility Charges	125,311	128,117
Customer Facility Charges	100,442	90,624
Unrestricted	204,510	189,988
Total Net Position	<u>\$ 1,665,441</u>	<u>\$ 1,645,405</u>

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position

Exhibit E-2

For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Operating Revenues		
Aeronautical Revenue		
Terminal Fees	\$ 80,956	\$ 75,115
Landing Fees	51,278	49,869
Air Cargo and Hangar Rentals	7,989	6,751
Other	13,986	12,358
Non-Aeronautical Revenue		
Parking	84,151	84,586
Rental Cars	53,595	46,669
Terminal - Food and Beverage	22,019	20,499
Terminal - Retail	10,279	10,879
Rental Revenue	21,236	17,186
Ground Transportation	6,207	4,957
Other	4,722	4,546
Total Operating Revenues	356,418	333,415
Operating Expenses		
Operation and Maintenance		
Personal Services	128,038	86,250
Contractual Services	103,158	124,420
Supplies	9,300	11,925
Equipment/Minor Improvements	11,145	37,308
Environmental, Studies & Noise Program	959	1,956
Depreciation	165,826	166,829
Staff and Administrative	8,373	7,716
Total Operating Expenses	426,799	436,404
Operating Loss	(70,381)	(102,989)
Non-Operating Revenues (Expenses)		
Passenger Facility Charges	83,577	83,449
Rental Car Customer Facility Charges	47,348	47,118
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(4,180)	471
Interest	6,735	6,120
Interest on Capital Debt	(67,915)	(67,141)
Loss on Disposal of Capital Assets	(1,417)	(759)
Total Non-Operating Revenues (Expenses)	64,148	69,258
Net Loss Before Contributions	(6,233)	(33,731)
Capital Contributions	26,639	27,803
Transfers from General Fund - Change for Phoenix	—	2
Transfers to Capital Projects Fund	(370)	(330)
Change in Net Position	20,036	(6,256)
Net Position, July 1	1,645,405	1,651,661
Net Position, June 30	\$ 1,665,441	\$ 1,645,405

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Cash Flows

Exhibit E-3

For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from Customers	\$ 345,577	\$ 339,026
Payments to Suppliers	(177,494)	(167,338)
Payments to Employees	(77,115)	(71,794)
Payment of Staff and Administrative Expenses	(8,373)	(7,716)
Net Cash Provided by Operating Activities	<u>82,595</u>	<u>92,178</u>
Cash Flows from Noncapital Financing Activities		
Operating Transfers from Other Funds	—	2
Operating Transfers to Other Funds	(370)	(330)
Net Cash Used by Noncapital Financing Activities	<u>(370)</u>	<u>(328)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	50,000	98,489
Principal Paid on Capital Debt	(47,390)	(44,330)
Interest Paid on Capital Debt	(74,656)	(71,294)
Acquisition and Construction of Capital Assets	(167,484)	(138,667)
Proceeds from Sales of Capital Assets	313	144
Passenger Facility Charges	80,133	83,555
Customer Facility Charges	46,882	47,035
Capital Contributions	21,937	31,084
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,265)</u>	<u>6,016</u>
Cash Flows from Investing Activities		
Purchases of Investment Securities	(338,846)	(527,842)
Proceeds from Sale and Maturities of Investment Securities	338,766	527,719
Net Activity for Short-Term Investments	(5,284)	(46,886)
Interest on Investments	2,548	6,593
Net Cash Used by Investing Activities	<u>(2,816)</u>	<u>(40,416)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(10,856)</u>	<u>57,450</u>
Cash and Cash Equivalents, July 1	407,194	349,744
Cash and Cash Equivalents, June 30	<u>\$ 396,338</u>	<u>\$ 407,194</u>
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities		
Operating Loss	(70,381)	(102,989)
Adjustments		
Depreciation	165,826	166,829
Net Pension Liability	(8,549)	8,210
Deferred Outflows - Pension	17,029	(5,097)
Deferred Inflows - Pension	(3,665)	10,958
Change in Assets and Liabilities		
Receivables	(4,103)	197
Allowance for Doubtful Accounts	(1,320)	1,222
Inventories	(1,116)	38
OPEB Asset	(1)	(10)
Accounts Payable	(6,019)	9,956
Trust Liabilities and Deposits	835	1,442
Advance Payments	(6,252)	2,751
Pollution Remediation	(175)	(1,525)
Accrued Compensated Absences	486	196
Net Cash Provided by Operating Activities	<u>\$ 82,595</u>	<u>\$ 92,178</u>
Noncash Transactions Affecting Financial Position		
Amortization of Deferred Gains/Losses of Bond Refundings	27	58
Decrease in Fair Value of Investments	(86)	(17)
Total Noncash Transactions Affecting Financial Position	<u>\$ (59)</u>	<u>\$ 41</u>

Aviation Enterprise Fund

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Landing Area	\$ 52,000	\$ 52,000	\$ 51,301	\$ (699)
Terminal Area	129,876	129,876	136,064	6,188
Ground Transportation	128,695	128,695	132,477	3,782
Interest on Investments	1,500	1,500	4,177	2,677
Other	29,424	29,424	30,632	1,208
Total Revenues	341,495	341,495	354,651	13,156
Transfer from Customer Facility Charge Revenues for O&M Expense Reimbursement	—	—	16,190	16,190
Total Revenues and Transfers from CFC	341,495	341,495	370,841	29,346
EXPENDITURES AND ENCUMBRANCES				
Operation and Maintenance				
Personal Services	115,711	115,739	116,353	(614)
Contractual Services	115,636	115,623	113,745	1,878
Supplies	11,764	11,749	12,070	(321)
Equipment/Minor Improvements	3,730	3,730	2,948	782
Contingency	14,000	14,000	—	14,000
Total Operating Expenditures	260,841	260,841	245,116	15,725
Net Revenue Available for Revenue Bond Debt Service	80,654	80,654	125,725	45,071
Revenue Bond Debt Service				
Senior Lien Revenue Bond Debt Service				
Principal	25,235	25,235	25,235	—
Interest	23,562	23,562	23,562	—
Total Senior Lien Revenue Bond Debt Service	48,797	48,797	48,797	—
Net Revenue Available for Junior Lien Revenue Bond Debt Service	31,857	31,857	76,928	45,071
Junior Lien Revenue Bond Debt Service				
Principal	1,075	1,075	1,075	—
Interest	4,858	4,858	4,858	—
Total Junior Lien Revenue Bond Debt Service	5,933	5,933	5,933	—
Net Revenue Available After Junior Lien Revenue Bond Debt Service	25,924	25,924	70,995	45,071
Other Expenditures				
Capital Improvement Program	68,781	68,781	42,693	26,088
General Obligation Bond Debt Service				
Interest	197	197	197	—
Total Other Expenditures	68,978	68,978	42,890	26,088
Total Expenditures and Encumbrances	384,549	384,549	342,736	41,813
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(43,054)	(43,054)	28,105	71,159
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Aviation Capital Fund	—	—	2,769	2,769
Transfers to Other Funds				
General Fund				
Staff and Administrative	(7,716)	(7,716)	(8,373)	(657)
Other	—	—	(1,165)	(1,165)
Special Revenue Funds	—	—	(717)	(717)
Capital Projects Fund	—	—	(370)	(370)
Debt Service Fund	(636)	(636)	—	636
Aviation Capital Fund	—	—	(5,669)	(5,669)
Interest Alignment Trust	—	—	(8,000)	(8,000)
Recovery of Prior Years Expenditures	—	—	1,498	1,498
Total Other Financing Sources (Uses)	(8,352)	(8,352)	(20,027)	(11,675)
Net Increase (Decrease) in Fund Balance	\$ (51,406)	\$ (51,406)	8,078	\$ 59,484
FUND BALANCE, JULY 1			326,033	
FUND BALANCE, JUNE 30			\$ 334,111	



City of Phoenix

City of Phoenix, Arizona
Phoenix Convention Center Enterprise Fund
Comparative Statements of Net Position

Exhibit E-5

June 30, 2017 and 2016

(in thousands)

	2017	2016
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 7,403	\$ 8,437
Investments	33,653	33,151
Accounts Receivable, Net of Allowance for Doubtful Accounts (2017, \$117 and 2016, \$124)	605	254
Inventories, at Average Cost	191	208
Total Unrestricted Current Assets	<u>41,852</u>	<u>42,050</u>
Restricted Assets		
Debt Service		
Cash with Fiscal Agent/Trustee	22,424	20,155
Capital Projects		
Cash and Cash Equivalents	1,110	1,126
Investments	13,962	13,878
Receivables		
Accrued Interest	4	4
Customer and Other Deposits	3,497	2,699
Total Restricted Current Assets	<u>40,997</u>	<u>37,862</u>
Total Current Assets	<u>82,849</u>	<u>79,912</u>
Noncurrent Assets		
Capital Assets		
Land	29,418	29,418
Buildings	895,056	895,026
Improvements Other Than Buildings	9,905	7,893
Equipment	23,527	23,768
Intangible Assets	149	149
Construction in Progress	2,039	1,858
Less: Accumulated Depreciation	(304,473)	(280,186)
Total Capital Assets, Net of Accumulated Depreciation	<u>655,621</u>	<u>677,926</u>
OPEB Asset	17	17
Total Noncurrent Assets	<u>655,638</u>	<u>677,943</u>
Total Assets	<u>738,487</u>	<u>757,855</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Loss on Refunding Bonds	5,107	5,237
Pension Related	4,117	8,447
Total Deferred Outflows of Resources	<u>9,224</u>	<u>13,684</u>

Exhibit E-5
(Continued)

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Accounts Payable	2,150	2,557
Current Portion of Accrued Compensated Absences	183	188
Total Current Liabilities Payable from Current Assets	<u>2,333</u>	<u>2,745</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	5,210	2,480
Interest Payable	17,053	17,569
Current Portion of Municipal Corporation Obligations	7,709	5,210
Customer Deposits	3,447	2,699
Total Current Liabilities Payable from Restricted Assets	<u>33,419</u>	<u>27,958</u>
Total Current Liabilities	<u>35,752</u>	<u>30,703</u>
Noncurrent Liabilities		
Municipal Corporation Obligations, net	709,116	720,213
Accrued Compensated Absences	1,178	1,261
Net Pension Liability	41,332	44,669
Total Noncurrent Liabilities	<u>751,626</u>	<u>766,143</u>
Total Liabilities	<u>787,378</u>	<u>796,846</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related	2,332	3,306
Total Deferred Inflows of Resources	<u>2,332</u>	<u>3,306</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	(61,306)	(44,739)
Unrestricted	19,307	16,126
Total Net Position (Deficit)	<u>\$ (41,999)</u>	<u>\$ (28,613)</u>

City of Phoenix, Arizona
Phoenix Convention Center Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position

Exhibit E-6

For the Fiscal Years Ended June 30, 2017 and 2016

(in thousands)

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Rental of Facilities and Equipment	\$ 10,904	\$ 11,388
Concessions	11,444	13,176
Box Office Services	792	838
Other (1)	17,428	17,438
Total Operating Revenues	<u>40,568</u>	<u>42,840</u>
Operating Expenses		
Administration	27,109	28,664
Operation and Maintenance	12,996	13,022
Promotion	2,799	2,517
Depreciation	24,371	26,080
Staff and Administrative	2,663	2,501
Security	1,725	1,071
Total Operating Expenses	<u>71,663</u>	<u>73,855</u>
Operating Loss	(31,095)	(31,015)
Non-Operating Revenues (Expenses)		
Investment Income		
Net Decrease in Fair Value of Investments	(426)	(4)
Interest	686	659
Interest on Capital Debt	(31,575)	(33,233)
Loss on Disposal of Capital Assets	(10)	(45)
Total Non-Operating Revenues (Expenses)	<u>(31,325)</u>	<u>(32,623)</u>
Loss Before Contributions and Transfers	(62,420)	(63,638)
Capital Contributions - Municipalities	—	21
Transfers from Excise Tax Fund	49,051	46,501
Transfers to Capital Projects Fund	(12)	(11)
Transfers to Infrastructure Repayment Agreement Trust Fund	(5)	(110)
Change in Net Position (Deficit)	<u>(13,386)</u>	<u>(17,237)</u>
Net Position, July 1	(28,613)	16,056
Effect of Change in Accounting Policy	—	(27,432)
Net Position (Deficit), July 1, as Restated	<u>(28,613)</u>	<u>(11,376)</u>
Net Position (Deficit), June 30	<u>\$ (41,999)</u>	<u>\$ (28,613)</u>

(1) Other revenues includes payment received from the State of Arizona for debt service on series 2005B bonds.

City of Phoenix, Arizona
Phoenix Convention Center Enterprise Fund
Comparative Statements of Cash Flows

Exhibit E-7

For the Fiscal Years Ended June 30, 2017 and 2016

(in thousands)

	2017	2016
Cash Flows from Operating Activities		
Receipts from Customers	\$ 40,966	\$ 42,780
Payments to Suppliers	(25,809)	(22,961)
Payments to Employees	(19,280)	(18,125)
Payment of Staff and Administrative Expenses	(2,663)	(2,501)
Net Cash Used by Operating Activities	(6,786)	(807)
Cash Flows from Noncapital Financing Activities		
Operating Transfers from Other Funds	49,051	46,501
Operating Transfers to Other Funds	(17)	(121)
Net Cash Provided by Noncapital Financing Activities	49,034	46,380
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Capital Debt	(2,746)	(2,350)
Interest Paid on Capital Debt	(35,083)	(30,226)
Acquisition and Construction of Capital Assets	(2,075)	(1,157)
Proceeds from Sales of Capital Assets	—	2
Capital Contributions	—	21
Net Cash Used by Capital and Related Financing Activities	(39,904)	(33,710)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(60,474)	(3,348)
Proceeds from Sale and Maturities of Investment Securities	60,375	3,346
Net Activity for Short-Term Investments	(488)	(2,819)
Interest on Investments	260	654
Net Cash Used by Investing Activities	(327)	(2,167)
Net Increase in Cash and Cash Equivalents	2,017	9,696
Cash and Cash Equivalents, July 1	32,417	22,721
Cash and Cash Equivalents, June 30	\$ 34,434	\$ 32,417
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (31,095)	\$ (31,015)
Adjustments		
Depreciation	24,371	26,080
Net Pension Liability	(3,337)	2,187
Deferred Outflows - Pension	4,330	(1,286)
Deferred Inflows - Pension	(974)	2,709
Change in Assets and Liabilities		
Accounts Receivable	(351)	(49)
Inventories	17	20
OPEB Asset	—	(3)
Accounts Payable	(407)	540
Customer Deposits	748	(12)
Accrued Compensated Absences	(88)	22
Net Cash Used by Operating Activities	(6,786)	(807)
Noncash Transactions Affecting Financial Position		
Contributions of Capital Assets	—	21
Amortization of Deferred Gains/Losses of Bond Refundings	560	249
Increase in Fair Value of Investments	3	9
Total Noncash Transactions Affecting Financial Position	\$ 563	\$ 279

Phoenix Convention Center Enterprise Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Rental of Facilities and Equipment	\$ 5,602	\$ 5,602	\$ 6,047	\$ 445
Concessions	10,778	10,778	12,508	1,730
Box Office Services	246	246	382	136
Interest	218	218	480	262
Other	678	678	985	307
Total Revenues	17,522	17,522	20,402	2,880
EXPENDITURES AND ENCUMBRANCES				
Operations	49,148	49,148	44,065	5,083
Capital Improvement Program	2,514	2,514	1,187	1,327
Lease-Purchase Payments	19,766	19,766	19,702	64
Total Expenditures and Encumbrances	71,428	71,428	64,954	6,474
Deficiency of Revenues Over Expenditures and Encumbrances	(53,906)	(53,906)	(44,552)	9,354
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	—	—	31	31
Transfers from Other Funds				
Excise Tax Fund	46,726	46,726	49,051	2,325
Transfers to Other Funds				
General Fund				
Staff and Administrative	(2,501)	(2,501)	(2,663)	(162)
Capital Projects Fund	—	—	(12)	(12)
Infrastructure Repayment Agreement Trust Fund	(109)	(109)	(5)	104
Debt Service Fund	(95)	(95)	—	95
Recovery of Prior Years Expenditures	—	—	51	51
Total Other Financing Sources (Uses)	44,021	44,021	46,453	2,432
Net Increase (Decrease) in Fund Balance	\$ (9,885)	\$ (9,885)	1,901	\$ 11,786
FUND BALANCE, JULY 1			41,879	
FUND BALANCE, JUNE 30			\$ 43,780	



City of Phoenix

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Net Position

Exhibit E-9

June 30, 2017 and 2016

(in thousands)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 37,316	\$ 38,262
Investments	152,098	156,095
Receivables		
Accounts Receivable, Net of Allowance for		
Doubtful Accounts (2017, \$2,317 and 2016, \$2,137)	56,507	52,939
Intergovernmental	1,503	830
Prepaid Items	4,688	2,731
Inventories, at Average Cost	22,344	16,010
Total Unrestricted Current Assets	<u>274,456</u>	<u>266,867</u>
Restricted Assets		
Debt Service		
Cash with Fiscal Agent	82,583	81,382
Capital Projects		
Cash and Cash Equivalents	17,761	17,420
Investments	71,043	64,538
Customer and Other Deposits	8,721	5,906
Total Restricted Current Assets	<u>180,108</u>	<u>169,246</u>
Total Current Assets	<u>454,564</u>	<u>436,113</u>
Noncurrent Assets		
Capital Assets		
Land	57,683	63,231
Buildings	240,491	241,458
Improvements Other Than Buildings	843,897	878,798
Equipment	337,368	320,518
Mains, Hydrants, Meters and Service Connections	1,758,938	1,719,738
Intangibles	172,066	165,343
Construction in Progress	356,493	304,249
Less: Accumulated Depreciation	<u>(1,427,541)</u>	<u>(1,385,272)</u>
Total Capital Assets, Net of Accumulated Depreciation	2,339,395	2,308,063
Other Assets		
Investment in Val Vista Treatment Plant		
Joint Use Agreement	211,637	222,489
OPEB Asset	83	81
Total Other Assets	<u>211,720</u>	<u>222,570</u>
Total Noncurrent Assets	<u>2,551,115</u>	<u>2,530,633</u>
Total Assets	<u>3,005,679</u>	<u>2,966,746</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Loss on Refunding Bonds	28,099	8,054
Pension Related	20,185	40,677
Total Deferred Outflows of Resources	<u>48,284</u>	<u>48,731</u>

Exhibit E-9

(Continued)

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Accounts Payable	25,852	26,200
Advance Payments	12	12
Current Portion of Accrued Compensated Absences	952	874
Total Current Liabilities Payable from Current Assets	<u>26,816</u>	<u>27,086</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	53,445	50,024
Interest Payable	29,409	31,626
Current Portion of General Obligation Bonds	—	5,755
Current Portion of Revenue Bonds/Bank Loans	226	220
Current Portion of Municipal Corporation Obligations	52,750	46,395
Capital Projects		
Accounts Payable	623	530
Customer and Other Deposits	8,821	6,006
Total Current Liabilities Payable from Restricted Assets	<u>145,274</u>	<u>140,556</u>
Total Current Liabilities	<u>172,090</u>	<u>167,642</u>
Noncurrent Liabilities		
General Obligation Bonds, net	6,972	7,051
Revenue Bonds/Bank Loans, net	2,973	3,200
Municipal Corporation Obligations, net	1,265,171	1,308,666
Accrued Compensated Absences	6,202	5,991
Net Pension Liability	202,628	215,111
Total Noncurrent Liabilities	<u>1,483,946</u>	<u>1,540,019</u>
Total Liabilities	<u>1,656,036</u>	<u>1,707,661</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related	<u>11,432</u>	<u>15,922</u>
Total Deferred Inflows of Resources	<u>11,432</u>	<u>15,922</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,203,666	1,103,409
Restricted from Enabling Legislation	69,558	57,346
Unrestricted	113,271	131,139
Total Net Position	<u>\$ 1,386,495</u>	<u>\$ 1,291,894</u>

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position

Exhibit E-10

For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Water Sales	\$ 352,396	\$ 328,342
Environmental Charges	33,358	40,105
Other	12,509	9,931
Total Operating Revenues	<u>398,263</u>	<u>378,378</u>
Operating Expenses		
Administration and Engineering	31,357	50,707
Operation and Maintenance		
Customer Service	6,063	8,029
Production and Treatment	69,181	74,745
Distribution and Centralized Functions	63,830	59,200
Depreciation and Amortization	105,136	106,737
Staff and Administrative	7,574	6,517
Total Operating Expenses	<u>283,141</u>	<u>305,935</u>
Operating Income	115,122	72,443
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(2,530)	19
Interest	3,667	4,077
Interest on Capital Debt	(37,183)	(39,567)
Equity Interest in Joint Use Agreement Operating Loss	(12,349)	(11,890)
Loss on Disposal of Capital Assets	(1,033)	(2,311)
Total Non-Operating Revenues (Expenses)	<u>(49,428)</u>	<u>(49,672)</u>
Net Income Before Contributions and Transfers	65,694	22,771
Capital Contributions	70,258	14,180
Transfers from General Fund - Change for Phoenix	—	6
Transfers from Special Revenue Funds	187	—
Transfers to Wastewater Enterprise Fund	(23,612)	—
Transfers to General Fund - In Lieu Property Taxes	(14,485)	(12,123)
Transfers to Capital Projects Fund	(3,441)	(224)
Change in Net Position	<u>94,601</u>	<u>24,610</u>
Net Position, July 1	1,291,894	1,267,284
Net Position, June 30	<u>\$ 1,386,495</u>	<u>\$ 1,291,894</u>

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

Exhibit E-11

	2017	2016
Cash Flows from Operating Activities		
Receipts from Customers	\$ 396,837	\$ 373,654
Payments to Suppliers	(87,515)	(79,482)
Payments to Employees	(87,749)	(82,557)
Payment of Staff and Administrative Expenses	(7,574)	(6,517)
Net Cash Provided by Operating Activities	213,999	205,098
Cash Flows from Noncapital Financing Activities		
Operating Transfers from Other Funds	187	6
Operating Transfers to Other Funds	(41,538)	(12,347)
Net Cash Used by Noncapital Financing Activities	(41,351)	(12,341)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	2,355	—
Principal Paid on Capital Debt	(50,024)	(60,557)
Interest Paid on Capital Debt	(62,112)	(65,729)
Acquisition and Construction of Capital Assets	(102,649)	(115,840)
Proceeds from Sales of Capital Assets	212	43
Capital Contributions	20,738	14,180
Net Cash Used by Capital and Related Financing Activities	(191,480)	(227,903)
Cash Flows from Investing Activities		
Purchases of Investment Securities	—	—
Proceeds from Sales and Maturities of Investment Securities	—	—
Net Activity for Short-Term Investments	(2,506)	23,560
Interest on Investments	1,137	4,096
Net Cash Provided (Used) by Investing Activities	(1,369)	27,656
Net Increase (Decrease) in Cash and Cash Equivalents	(20,201)	(7,490)
Cash and Cash Equivalents, July 1	142,970	150,460
Cash and Cash Equivalents, June 30	\$ 122,769	\$ 142,970
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 115,122	\$ 72,443
Adjustments		
Depreciation and Amortization	105,136	106,737
Net Pension Liability	(12,483)	13,558
Deferred Outflows - Pension	20,492	(6,703)
Deferred Inflows - Pension	(4,490)	13,091
Change in Asset and Liabilities		
Receivables	(4,421)	(5,343)
Allowance for Doubtful Accounts	180	(11)
Prepaid Expenses	(1,957)	(85)
Inventories	(6,334)	(165)
OPEB Asset	(2)	(14)
Accounts Payable	(348)	10,848
Advance Payments	—	2
Customer and Other Deposits	2,815	628
Accrued Compensated Absences	289	112
Net Cash Provided by Operating Activities	\$ 213,999	\$ 205,098
Noncash Transactions Affecting Financial Position		
Contributions of Capital Assets	\$ 49,520	\$ —
Amortization of Deferred Gains/Losses of Bond Refundings	2,038	1,695
Total Noncash Transactions Affecting Financial Position	\$ 51,558	\$ 1,695

Water System Enterprise Fund

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Water Sales	\$ 358,991	\$ 358,991	\$ 352,396	\$ (6,595)
Environmental Charges	34,141	34,141	33,358	(783)
Development Occupational Fees	3,100	3,100	3,755	655
Water Service Fees	6,000	6,000	5,056	(944)
Distribution	600	600	4,810	4,210
Interest	2,880	2,880	2,792	(88)
Other	8,950	8,950	9,708	758
Total Revenues	414,662	414,662	411,875	(2,787)
EXPENDITURES AND ENCUMBRANCES				
Operation and Maintenance	175,135	175,135	153,979	21,156
Operation and Maintenance - Val Vista	12,971	12,971	10,998	1,973
Total Operating Expenditures and Encumbrances	188,106	188,106	164,977	23,129
Net Revenue Available for Revenue Bond Debt Service	226,556	226,556	246,898	20,342
Junior Lien Revenue Bond Debt Service				
Principal	46,615	46,615	47,690	(1,075)
Interest	60,415	60,415	59,339	1,076
Total Junior Lien Revenue Bond Debt Service	107,030	107,030	107,029	1
Net Revenue Available After Junior Lien Revenue Bond Debt Service	119,526	119,526	139,869	20,343
Other Expenditures and Encumbrances				
Operating Capital Outlay	3,494	3,494	3,682	(188)
Capital Improvement Program	170,378	154,830	149,594	5,236
General Obligation Bond Debt Service				
Principal	5,755	5,755	5,755	—
Interest	556	556	556	—
Total Other Expenditures and Encumbrances	180,183	164,635	159,587	5,048
Total Expenditures and Encumbrances	475,319	459,771	431,593	28,178
Deficiency of Revenues Over Expenditures and Encumbrances	(60,657)	(45,109)	(19,718)	25,391
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Water Capital Fund	—	—	352	352
Transfers to Other Funds				
General Fund				
Staff and Administrative	(6,539)	(6,539)	(7,574)	(1,035)
In-Lieu Property Taxes	(12,382)	(12,382)	(14,484)	(2,102)
Capital Projects Fund	—	—	(3,441)	(3,441)
Debt Service Fund	(538)	(538)	—	538
Recovery of Prior Years Expenditures	—	—	2,710	2,710
Total Other Financing Sources (Uses)	(19,459)	(19,459)	(22,437)	(2,978)
Net Decrease in Fund Balance	\$ (80,116)	\$ (64,568)	(42,155)	\$ 22,413
FUND BALANCE, JULY 1			104,394	
FUND BALANCE, JUNE 30			\$ 62,239	

City of Phoenix, Arizona
Water System Enterprise Fund
Val Vista Water Treatment Plant

Exhibit E-13

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis**

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Val Vista Water System	\$ 6,317	\$ 6,317	\$ 5,730	\$ (587)
Operating Revenue - Water	12,971	12,971	10,998	(1,973)
Interest	17	17	12	(5)
Other	—	—	84	84
Total Revenues	19,305	19,305	16,824	(2,481)
<u>EXPENDITURES AND ENCUMBRANCES</u>				
Operation and Maintenance	16,482	16,482	14,140	2,342
Capital Outlay				
Operating	107	107	104	3
Capital Improvement Program	2,205	2,205	2,836	(631)
Total Expenditures and Encumbrances	18,794	18,794	17,080	1,714
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	511	511	(256)	(767)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds				
General Fund				
Staff and Administrative	(512)	(512)	(529)	(17)
Recovery of Prior Years Expenditures	—	—	60	60
Total Other Financing Sources (Uses)	(512)	(512)	(469)	43
Net Decrease in Fund Balance	\$ (1)	\$ (1)	(725)	\$ (724)
FUND BALANCE, JULY 1			1,079	
FUND BALANCE, JUNE 30			354	
Members' Contributed Operating Reserve			2,023	
Members' Contributed Replacement Reserve			2,498	
FUND DEFICIT, UNRESERVED			\$ (4,167)	

Note: The deficit unreserved fund balance is primarily due to encumbrances, which are accounted for as uses of financial resources. The participating Val Vista cities are billed (and revenue is recognized) only to the extent of actual expenditures.

City of Phoenix, Arizona
Wastewater Enterprise Fund
Comparative Statements of Net Position

Exhibit E-14

June 30, 2017 and 2016

(in thousands)

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 29,260	\$ 27,868
Investments	117,653	117,250
Receivables		
Accounts Receivable, Net of Allowance for		
Doubtful Accounts (2017, \$1,241 and 2016, \$1,182)	20,730	20,230
Intergovernmental	5,767	6,104
Notes Receivable	7,895	—
Inventories, at Average Cost	4,451	4,943
Total Unrestricted Current Assets	<u>185,756</u>	<u>176,395</u>
Restricted Assets		
Debt Service		
Cash with Fiscal Agent	55,431	58,139
Capital Projects		
Cash and Cash Equivalents	18,899	21,994
Investments	75,594	70,221
Customer Deposits and Other Trust Liabilities	38	35
Total Restricted Current Assets	<u>149,962</u>	<u>150,389</u>
Total Current Assets	<u>335,718</u>	<u>326,784</u>
Noncurrent Assets		
Capital Assets		
Land	29,255	23,835
Buildings	74,926	73,063
Improvements Other Than Buildings	1,316,727	1,261,657
Equipment	142,870	151,252
Intangibles	33,363	40,515
Construction in Progress	119,545	88,555
Less: Accumulated Depreciation	<u>(743,485)</u>	<u>(686,490)</u>
Total Capital Assets, Net of Accumulated Depreciation	973,201	952,387
Other Assets		
Investment in SROG Joint Use Agreement	362,086	377,075
OPEB Asset	30	29
Total Noncurrent Assets	<u>1,335,317</u>	<u>1,329,491</u>
Total Assets	<u>1,671,035</u>	<u>1,656,275</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Bonds	5,203	6,172
Pension Related	7,337	14,363
Total Deferred Outflows of Resources	<u>12,540</u>	<u>20,535</u>

Exhibit E-14

(continued)

	2017	2016
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Accounts Payable	10,799	9,266
Advance Payments	1	1
Current Portion of Accrued Compensated Absences	209	200
Total Current Liabilities Payable from Current Assets	<u>11,009</u>	<u>9,467</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	40,380	44,930
Interest Payable	15,967	16,545
Current Portion of General Obligation Bonds	590	895
Current Portion of Revenue Bonds/Bank Loans	767	745
Current Portion of Municipal Corporation Obligations	41,285	37,590
Capital Projects		
Accounts Payable	1,455	172
Customer Deposits and Other Trust Liabilities	38	35
Total Current Liabilities Payable from Restricted Assets	<u>100,482</u>	<u>100,912</u>
Total Current Liabilities	<u>111,491</u>	<u>110,379</u>
Noncurrent Liabilities		
General Obligation Bonds, net	3,035	3,708
Revenue Bonds/Bank Loans, net	10,041	10,807
Municipal Corporation Obligations, net	561,257	609,900
Accrued Compensated Absences	1,353	1,371
Net Pension Liability	73,658	75,955
Total Noncurrent Liabilities	<u>649,344</u>	<u>701,741</u>
Total Liabilities	<u>760,835</u>	<u>812,120</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Gain on Refunding Bonds	2,562	2,096
Pension Related	4,156	5,622
Total Deferred Inflows of Resources	<u>6,718</u>	<u>7,718</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	667,502	608,484
Restricted from Enabling Legislation	59,532	54,014
Unrestricted	188,988	194,474
Total Net Position	<u>\$ 916,022</u>	<u>\$ 856,972</u>

City of Phoenix, Arizona
Wastewater Enterprise Fund

Exhibit E-15

**Comparative Statements of Revenues, Expenses and
Changes in Net Position**

For the Fiscal Years Ended June 30, 2017 and 2016

(in thousands)

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Sewer Service Charges	\$ 159,993	\$ 153,354
Environmental Charges	33,212	33,641
Other	5,740	6,732
Total Operating Revenues	<u>198,945</u>	<u>193,727</u>
Operating Expenses		
Administration	19,374	19,185
Operation and Maintenance		
Wastewater Treatment Plants	33,262	29,765
Sewer Maintenance and Collections	19,434	22,718
Industrial Waste/Pre-Treatment	5,784	4,410
Depreciation	40,233	41,578
Staff and Administrative	3,705	3,044
Total Operating Expenses	<u>121,792</u>	<u>120,700</u>
Operating Income	77,153	73,027
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(1,973)	203
Interest	3,036	3,117
Interest on Capital Debt	(20,124)	(25,224)
Equity Interest in Joint Use Agreement Operating Loss	(22,942)	(23,562)
Loss on Disposal of Capital Assets	(12,327)	(954)
Total Non-Operating Revenues (Expenses)	<u>(54,330)</u>	<u>(46,420)</u>
Net Income Before Contributions and Transfers	22,823	26,607
Capital Contributions	23,689	12,690
Transfers from Water System Enterprise Fund	23,612	—
Transfers to General Fund - In Lieu Property Taxes	(8,787)	(7,470)
Transfers to Capital Projects Fund	(2,287)	(149)
Change in Net Position	<u>59,050</u>	<u>31,678</u>
Net Position, July 1	<u>856,972</u>	<u>825,294</u>
Net Position, June 30	<u>\$ 916,022</u>	<u>\$ 856,972</u>

City of Phoenix, Arizona
Wastewater Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

Exhibit E-16

	2017	2016
Cash Flows from Operating Activities		
Receipts from Customers	\$ 190,892	\$ 193,602
Payments to Suppliers	(49,846)	(49,834)
Payments to Employees	(22,732)	(21,250)
Payment of Staff and Administrative Expenses	(3,705)	(3,044)
Net Cash Provided by Operating Activities	<u>114,609</u>	<u>119,474</u>
Cash Flows from Noncapital Financing Activities		
Operating Transfers to Other Funds	(11,074)	(7,619)
Net Cash Used by Noncapital Financing Activities	<u>(11,074)</u>	<u>(7,619)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	1,666	—
Principal Paid on Capital Debt	(44,930)	(23,867)
Interest Paid on Capital Debt	(30,636)	(33,638)
Acquisition and Construction of Capital Assets	(38,082)	(28,829)
Proceeds from Sales of Capital Assets	12	14
Capital Contributions	8,738	8,040
Net Cash Used by Capital and Related Financing Activities	<u>(103,232)</u>	<u>(78,280)</u>
Cash Flows from Investing Activities		
Purchases of Investment Securities	(7,985)	—
Proceeds from Sales and Maturities of Investment Securities	7,985	—
Net Activity for Short-Term Investments	(5,774)	(5,505)
Interest on Investments	1,063	3,320
Net Cash Used by Investing Activities	<u>(4,711)</u>	<u>(2,185)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,408)	31,390
Cash and Cash Equivalents, July 1	108,036	76,646
Cash and Cash Equivalents, June 30	<u>\$ 103,628</u>	<u>\$ 108,036</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 77,153	\$ 73,027
Adjustments		
Depreciation	40,233	41,578
Net Pension Liability	(2,297)	2,482
Deferred Outflows - Pension	7,026	(1,978)
Deferred Inflows - Pension	(1,466)	4,590
Change in Assets and Liabilities		
Receivables	(8,117)	(35)
Allowance for Doubtful Accounts	59	(67)
Inventories	492	540
OPEB Asset	(1)	(4)
Accounts Payable	1,533	(608)
Customer Deposits	3	(24)
Accrued Compensated Absences	(9)	(27)
Net Cash Provided by Operating Activities	<u>\$ 114,609</u>	<u>\$ 119,474</u>
Noncash Transactions Affecting Financial Position		
Contributions of Capital Assets	\$ 14,950	\$ 4,650
Amortization of Deferred Gains/Losses of Bond Refundings	744	778
Total Noncash Transactions Affecting Financial Position	<u>\$ 15,694</u>	<u>\$ 5,428</u>

Wastewater Enterprise Fund

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer Service Charges	\$ 158,235	\$ 158,235	\$ 159,993	\$ 1,758
Environmental Charges	33,031	33,031	33,211	180
Development Occupational Fees	3,100	3,100	3,578	478
Interest	1,349	1,349	2,150	801
Other	4,805	4,805	5,777	972
Total Revenues	200,520	200,520	204,709	4,189
EXPENDITURES AND ENCUMBRANCES				
Operation and Maintenance	57,639	56,939	52,376	4,563
Operation and Maintenance - SROG	26,914	26,914	22,215	4,699
Total Operating Expenditures and Encumbrances	84,553	83,853	74,591	9,262
Net Revenue Available for Revenue Bond Debt Service	115,967	116,667	130,118	13,451
Revenue Bond Debt Service				
Senior Lien Revenue Bond Debt Service				
Principal	15,140	15,140	15,140	—
Interest	6,546	6,546	6,546	—
Total Senior Lien Revenue Bond Debt Service	21,686	21,686	21,686	—
Net Revenue Available for Junior Lien Revenue Bond Debt Service	94,281	94,981	108,432	13,451
Junior Lien Revenue Bond Debt Service				
Principal	23,195	23,195	24,345	(1,150)
Interest	24,312	24,312	23,158	1,154
Total Junior Lien Revenue Bond Debt Service	47,507	47,507	47,503	4
Net Revenue Available After Junior Lien Revenue Bond Debt Service	46,774	47,474	60,929	13,455
Other Expenditures and Encumbrances				
Operating Capital Outlay	2,359	2,359	3,051	(692)
Capital Improvement Program	64,164	82,164	76,938	5,226
General Obligation Bond Debt Service				
Principal	1,271	1,271	895	376
Interest	263	263	186	77
Total Other Expenditures and Encumbrances	68,057	86,057	81,070	4,987
Total Expenditures and Encumbrances	221,803	239,103	224,850	14,253
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(21,283)	(38,583)	(20,141)	18,442
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Wastewater Capital Fund	—	—	105	105
Transfers to Other Funds				
General Fund				
Staff and Administrative	(3,134)	(3,134)	(3,705)	(571)
In-Lieu Property Taxes	(7,646)	(7,646)	(8,787)	(1,141)
Capital Projects Fund	—	—	(2,287)	(2,287)
Debt Service Fund	(359)	(359)	—	359
Recovery of Prior Years Expenditures	—	—	1,039	1,039
Total Other Financing Sources (Uses)	(11,139)	(11,139)	(13,635)	(2,496)
Net Increase (Decrease) in Fund Balance	\$ (32,422)	\$ (49,722)	(33,776)	\$ 15,946
FUND BALANCE, JULY 1			115,315	
FUND BALANCE, JUNE 30			<u>81,539</u>	

Wastewater Enterprise Fund

Sub-Regional Operating Group ("SROG")

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Multi-City Sewer System	\$ 15,822	\$ 15,822	\$ 15,853	\$ 31
Operating Revenue - Wastewater	26,914	26,914	22,215	(4,699)
Sales of By-Products	7,353	7,353	8,068	715
Interest	86	86	58	(28)
Other	35	35	31	(4)
Total Revenues	50,210	50,210	46,225	(3,985)
EXPENDITURES AND ENCUMBRANCES				
Operation and Maintenance	43,682	41,382	38,804	2,578
Capital Outlay				
Operating	1,108	1,108	937	171
Capital Improvement Program	5,500	5,500	5,449	51
Total Expenditures and Encumbrances	50,290	47,990	45,190	2,800
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(80)	2,220	1,035	(1,185)
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds				
General Fund				
Staff and Administrative	(1,567)	(1,567)	(1,697)	(130)
Recovery of Prior Years Expenditures	—	—	641	641
Total Other Financing Sources (Uses)	(1,567)	(1,567)	(1,056)	511
Net Increase (Decrease) in Fund Balance	\$ (1,647)	\$ 653	(21)	\$ (674)
FUND BALANCE, JULY 1 as reported			5,352	
FUND BALANCE, JUNE 30			5,331	
Members' Contributed Replacement Reserve			7,086	
Members' Contributed Operating Reserve			6,435	
FUND DEFICIT, UNRESERVED			<u>\$ (8,190)</u>	

Note: The deficit unreserved fund balance is primarily due to encumbrances, which are accounted for as uses of financial resources. The participating SROG cities are billed (and revenue is recognized) only to the extent of actual expenditures.

City of Phoenix, Arizona
Solid Waste Enterprise Fund
Comparative Statements of Net Position

Exhibit E-19

June 30, 2017 and 2016

(in thousands)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 10,292	\$ 13,585
Investments	42,565	54,977
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2017, \$1,188 and 2016, \$1,299)	13,624	13,666
Intergovernmental	—	3
Inventories	823	806
Total Unrestricted Current Assets	<u>67,304</u>	<u>83,037</u>
Restricted Assets		
Debt Service		
Cash with Fiscal Agent/Trustee	9,981	11,730
Capital Projects		
Cash and Cash Equivalents	5,875	6,087
Investments	22,940	22,897
Customer Deposits	112	15
Total Restricted Current Assets	<u>38,908</u>	<u>40,729</u>
Total Current Assets	<u>106,212</u>	<u>123,766</u>
Noncurrent Assets		
Capital Assets		
Land	13,340	13,340
Buildings	79,917	79,917
Improvements Other Than Buildings	39,570	39,570
Equipment	135,052	131,446
Intangibles	5,352	5,352
Construction in Progress	38,062	13,770
Less: Accumulated Depreciation	(155,526)	(144,825)
Total Capital Assets, Net of Accumulated Depreciation	<u>155,767</u>	<u>138,570</u>
OPEB Asset	41	42
Total Noncurrent Assets	<u>155,808</u>	<u>138,612</u>
Total Assets	<u>262,020</u>	<u>262,378</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Loss on Refunding Bonds	918	1,270
Pension Related	10,336	19,448
Total Deferred Outflows of Resources	<u>11,254</u>	<u>20,718</u>

Exhibit E-19
(Continued)

<u>LIABILITIES</u>	<u>2017</u>	<u>2016</u>
Current Liabilities Payable from Current Assets		
Accounts Payable	6,333	5,227
Accrued Landfill Postclosure Care Costs	2,592	2,528
Current Portion of Accrued Compensated Absences	428	395
Total Current Liabilities Payable from Current Assets	<u>9,353</u>	<u>8,150</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	8,710	9,335
Interest Payable	1,271	2,395
Current Portion of General Obligation Bonds	1,845	1,090
Current Portion of Municipal Corporation Obligations	3,755	7,620
Capital Projects		
Accounts Payable	316	240
Accrued Landfill Closure Costs	847	1,276
Customer Deposits	112	110
Total Current Liabilities Payable from Restricted Assets	<u>16,856</u>	<u>22,066</u>
Total Current Liabilities	<u>26,209</u>	<u>30,216</u>
Noncurrent Liabilities		
General Obligation Bonds	3,546	5,579
Municipal Corporation Obligations	78,441	84,249
Accrued Landfill Closure and Postclosure Care Costs	59,746	60,229
Accrued Compensated Absences	2,709	2,597
Net Pension Liability	103,763	102,844
Total Noncurrent Liabilities	<u>248,205</u>	<u>255,498</u>
Total Liabilities	<u>274,414</u>	<u>285,714</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Gain on Refunding Bonds	1,371	422
Pension Related	5,854	7,612
Total Deferred Inflows of Resources	<u>7,225</u>	<u>8,034</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	59,015	31,545
Unrestricted (Deficit)	(67,380)	(42,197)
Total Net Position (Deficit)	<u>\$ (8,365)</u>	<u>\$ (10,652)</u>

City of Phoenix, Arizona
Solid Waste Enterprise Fund

Exhibit E-20

**Comparative Statements of Revenues, Expenses and Changes
in Net Position**

For the Fiscal Years Ended June 30, 2017 and 2016

(in thousands)

	2017	2016
Operating Revenues		
Solid Waste Service Fees	\$ 128,363	\$ 127,299
Landfill Fees	9,099	8,952
Recycling	10,202	7,800
Other	2,350	2,433
Total Operating Revenues	<u>150,014</u>	<u>146,484</u>
Operating Expenses		
Administration	32,550	27,744
Solid Waste Collections	46,171	45,488
Landfills		
Operations	25,388	25,376
Closure and Postclosure Care Costs	1,589	1,146
Recycling	7,103	4,736
Depreciation	16,405	17,165
Staff and Administrative	6,901	6,411
Other	8,008	9,598
Total Operating Expenses	<u>144,115</u>	<u>137,664</u>
Operating Income	5,899	8,820
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(832)	62
Interest	1,164	1,373
Interest on Capital Debt	(2,795)	(3,465)
Gain on Disposal of Capital Assets	332	315
Total Non-Operating Revenues (Expenses)	<u>(2,131)</u>	<u>(1,715)</u>
Net Income (Loss) Before Operating Transfers	3,768	7,105
Capital Contributions - Municipalities	49	19
Transfers to General Fund - In Lieu Property Taxes	(1,292)	(1,248)
Transfers to Capital Projects Fund	(238)	(213)
Change in Net Position (Deficit)	<u>2,287</u>	<u>5,663</u>
Net Position (Deficit), July 1	<u>(10,652)</u>	<u>(16,315)</u>
Net Position (Deficit), June 30	<u>\$ (8,365)</u>	<u>\$ (10,652)</u>

Solid Waste Enterprise Fund

Comparative Statements of Cash Flows

For the Fiscal Years Ended June 30, 2017 and 2016

(in thousands)

	2017	2016
Cash Flows from Operating Activities		
Receipts from Customers	\$ 150,062	\$ 146,722
Payments to Suppliers	(68,144)	(65,445)
Payments to Employees	(44,006)	(44,116)
Payment of Staff and Administrative Expenses	(6,901)	(6,411)
Net Cash Provided by Operating Activities	31,011	30,750
Cash Flows from Noncapital Financing Activities		
Operating Transfers to Other Funds	(1,530)	(1,461)
Net Cash Used by Noncapital Financing Activities	(1,530)	(1,461)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	446	—
Principal Paid on Capital Debt	(9,335)	(10,205)
Interest Paid on Capital Debt	(5,623)	(3,981)
Acquisition and Construction of Capital Assets	(33,362)	(16,203)
Proceeds from Sales of Capital Assets	537	604
Net Cash Used by Capital and Related Financing Activities	(47,337)	(29,785)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(515)	—
Proceeds from Sales and Maturities of Investment Securities	376	—
Net Activity for Short-Term Investments	12,506	2,441
Interest on Investments	332	1,435
Net Cash Provided by Investing Activities	12,699	3,876
Net Increase (Decrease) in Cash and Cash Equivalents	(5,157)	3,380
Cash and Cash Equivalents, July 1	31,417	28,037
Cash and Cash Equivalents, June 30	\$ 26,260	\$ 31,417
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 5,899	\$ 8,820
Adjustments		
Depreciation and Amortization	16,405	17,165
Net Pension Liability	919	4,496
Deferred Outflows - Pension	9,112	(2,870)
Deferred Inflows - Pension	(1,758)	6,231
Change in Assets and Liabilities		
Receivables	156	133
Allowance for Doubtful Accounts	(111)	105
Inventories	(17)	(806)
OPEB Asset	1	(8)
Accounts Payable	1,106	(712)
Customer Deposits	2	2
Accrued Compensated Absences	145	36
Accrued Landfill Closure and Postclosure Care	(848)	(1,842)
Net Cash Provided by Operating Activities	\$ 31,011	\$ 30,750
Noncash Transactions Affecting Financial Position		
Amortization of Deferred Gains/Losses of Bond Refundings	(69)	193
Total Noncash Transactions Affecting Financial Position	\$ (69)	\$ 193

Solid Waste Enterprise Fund

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

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Solid Waste Service Fees	\$ 128,516	\$ 128,516	\$ 128,488	\$ (28)
City Landfill Fees	16,633	16,633	19,160	2,527
Interest	305	305	711	406
Other	2,335	2,335	2,754	419
Total Revenues	147,789	147,789	151,113	3,324
EXPENDITURES AND ENCUMBRANCES				
Operations	133,772	133,772	126,156	7,616
Capital Improvement Program	38,388	19,188	10,557	8,631
General Obligation Bond Debt Service				
Principal	1,090	1,090	1,090	—
Interest	294	294	288	6
Lease-Purchase Payments	11,698	11,698	11,564	134
Total Expenditures and Encumbrances	185,242	166,042	149,655	16,387
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(37,453)	(18,253)	1,458	19,711
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds				
General Fund				
Staff and Administrative	(6,411)	(6,411)	(6,901)	(490)
In-Lieu Property Taxes	(1,272)	(1,272)	(1,292)	(20)
Solid Waste Capital Reserve	(1,200)	(1,200)	(1,273)	(73)
Capital Projects Fund	—	—	(238)	(238)
Interest Alignment Trust	—	—	(3,000)	(3,000)
Debt Service Fund	(424)	(424)	—	424
Recovery of Prior Years Expenditures	—	—	468	468
Total Other Financing Sources (Uses)	(9,307)	(9,307)	(12,236)	(2,929)
Net Decrease in Fund Balance	\$ (46,760)	\$ (27,560)	\$ (10,778)	\$ 16,782
FUND BALANCE, JULY 1			54,679	
FUND BALANCE, JUNE 30			\$ 43,901	



Financial Section

Other Supplementary
Information –

Fiduciary Funds –
Combining Fund
Financial Statements



City of Phoenix

City of Phoenix, Arizona
Fiduciary Funds

Exhibit F-1

Combining Statement of Fiduciary Net Position
 June 30, 2017
 (in thousands)

	<u>Pension and Other Employee Benefit Trusts</u>	
	<u>City of Phoenix Employee Retirement System (COPERS)</u>	<u>Excess Benefit Arrangement</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 38,582	\$ 446
Investments		
Treasurer's Pooled Investments	—	550
Temporary Investments	90,569	—
Fixed Income	512,001	—
Domestic Equities	907,751	—
International Equities	690,982	—
Real Return	—	—
Absolute Return	254,936	—
Real Estate	—	—
Receivables		
Accounts Receivable	123,413	—
Contributions Receivable	5,994	—
Interest and Dividends	1,541	1
Prepaid Items	—	—
Total Assets	<u>2,625,769</u>	<u>997</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>
<u>LIABILITIES</u>		
Accounts Payable	272,162	—
Claims Payable	—	—
Total Liabilities	<u>272,162</u>	<u>—</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>
<u>NET POSITION</u>		
Restricted for pension and other employee benefits	<u>\$ 2,353,607</u>	<u>\$ 997</u>

Exhibit F-1

(continued)

Pension and Other Employee Benefit Trusts

Health Care Benefits	Retiree Rate Stabilization	Medical Expense Reimbursement Plan	Long-Term Disability	Total
\$ 18,747	\$ —	\$ 509	\$ 238	\$ 58,522
—	8,778	272	94	9,694
—	—	—	—	90,569
70,431	—	36,510	17,312	636,254
—	—	52,074	18,077	977,902
—	—	25,432	18,296	734,710
—	—	37,307	19,052	56,359
—	—	6,913	3,825	265,674
—	—	312	—	312
3,459	—	—	—	126,872
1,453	—	—	—	7,447
128	12	—	—	1,682
5,150	—	—	—	5,150
<u>99,368</u>	<u>8,790</u>	<u>159,329</u>	<u>76,894</u>	<u>2,971,147</u>
—	—	—	—	—
2,802	—	7	15	274,986
<u>22,762</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,762</u>
<u>25,564</u>	<u>—</u>	<u>7</u>	<u>15</u>	<u>297,748</u>
—	—	—	—	—
<u>\$ 73,804</u>	<u>\$ 8,790</u>	<u>\$ 159,322</u>	<u>\$ 76,879</u>	<u>\$ 2,673,399</u>

City of Phoenix, Arizona
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2017
(in thousands)

Exhibit F-1
(continued)

	Agency Funds			
	Post Employment Health Plan	Deferred Compensation Plan	Accrued Payroll	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ —	\$ —	\$ 10,914	\$ 10,914
Investments				
Treasurer's Pooled Investments	—	—	43,655	43,655
Total Assets	—	—	54,569	54,569
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Total Deferred Outflows of Resources	—	—	—	—
<u>LIABILITIES</u>				
Accrued Payroll Payable	—	—	54,569	54,569
Total Liabilities	—	—	54,569	54,569
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Total Deferred Inflows of Resources	—	—	—	—
<u>NET POSITION</u>				
Restricted for pension and other employee benefits	\$ —	\$ —	\$ —	\$ —



City of Phoenix

City of Phoenix, Arizona
Fund Financial Statements
Fiduciary Funds

Exhibit F-2

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Pension and Other Employee Benefit Trusts	
	City of Phoenix Employee Retirement System (COPERS)	Excess Benefit Arrangement
ADDITIONS		
Contributions		
City of Phoenix	\$ 152,153	\$ 639
Employees	30,870	—
Inter-System Transfers	43	—
Other	—	—
Total Contributions	<u>183,066</u>	<u>639</u>
Investment Income		
From Investing Activities		
Net (Increase) Decrease in Fair Value of Investments	221,631	(2)
Interest	6,374	7
Dividends	20,848	—
Other	4,386	—
Investment Income	<u>253,239</u>	<u>5</u>
Less: Investment Expense	<u>10,029</u>	<u>—</u>
Net Investment Income from Investing Activities	<u>243,210</u>	<u>5</u>
Total Net Investment Income	<u>243,210</u>	<u>5</u>
Total Additions	<u>426,276</u>	<u>644</u>
DEDUCTIONS		
Benefit Payments	220,276	412
Refunds of Contributions	3,227	—
Inter-System Transfers	207	—
Other	380	—
Total Deductions	<u>224,090</u>	<u>412</u>
Net Increase (Decrease)	<u>202,186</u>	<u>232</u>
Net Position Restricted for Pension and Other Employee Benefits		
Beginning of Year, July 1	<u>2,151,421</u>	<u>765</u>
End of Year, June 30	<u>\$ 2,353,607</u>	<u>\$ 997</u>

Pension and Other Employee Benefit Trusts					
Health Care Benefits	Retiree Rate Stabilization	Medical Expense Reimbursement Plan	Long-Term Disability	Total	
\$ 136,847	\$ —	\$ 27,863	\$ 1,381	\$ 318,883	
52,295	—	—	—	83,165	
—	—	—	—	43	
12,269	—	—	—	12,269	
<u>201,411</u>	<u>—</u>	<u>27,863</u>	<u>1,381</u>	<u>414,360</u>	
(572)	(39)	14,285	7,059	242,362	
894	81	2,902	—	10,258	
—	—	—	1,429	22,277	
—	—	—	130	4,516	
<u>322</u>	<u>42</u>	<u>17,187</u>	<u>8,618</u>	<u>279,413</u>	
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,029</u>	
<u>322</u>	<u>42</u>	<u>17,187</u>	<u>8,618</u>	<u>269,384</u>	
<u>322</u>	<u>42</u>	<u>17,187</u>	<u>8,618</u>	<u>269,384</u>	
<u>201,733</u>	<u>42</u>	<u>45,050</u>	<u>9,999</u>	<u>683,744</u>	
184,440	2,813	23,400	4,290	435,631	
3	—	—	—	3,230	
—	—	—	—	207	
11,743	—	535	309	12,967	
<u>196,186</u>	<u>2,813</u>	<u>23,935</u>	<u>4,599</u>	<u>452,035</u>	
5,547	(2,771)	21,115	5,400	231,709	
68,257	11,561	138,207	71,479	2,441,690	
<u>\$ 73,804</u>	<u>\$ 8,790</u>	<u>\$ 159,322</u>	<u>\$ 76,879</u>	<u>\$ 2,673,399</u>	

Agency Fund

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2017

(in thousands)

	<i>Post Employment Health Plan</i>			
	Balance July 1	Additions	Deductions	Balance June 30
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ —	\$ 12,507	\$ 12,507	\$ —
Total Assets	\$ —	\$ 12,507	\$ 12,507	\$ —

<u>LIABILITIES</u>				
Accrued Payroll Payable	\$ —	\$ 12,507	\$ 12,507	\$ —
Total Liabilities	\$ —	\$ 12,507	\$ 12,507	\$ —

	<i>Deferred Compensation Plan</i>			
	Balance July 1	Additions	Deductions	Balance June 30
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ —	\$ 94,212	\$ 94,212	\$ —
Treasurer's Pooled Investments	—	—	—	—
Total Assets	\$ —	\$ 94,212	\$ 94,212	\$ —

<u>LIABILITIES</u>				
Accrued Payroll Payable	\$ —	\$ 94,212	\$ 94,212	\$ —
Total Liabilities	\$ —	\$ 94,212	\$ 94,212	\$ —

City of Phoenix, Arizona
Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2017
(in thousands)

Exhibit F-3
(continued)

	<i>Accrued Payroll</i>			
	Balance July 1	Additions	Deductions	Balance June 30
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 12,891	\$ 438,945	\$ 440,922	\$ 10,914
Treasurer's Pooled Investments	48,497	1,758,846	1,763,688	43,655
Total Assets	<u>\$ 61,388</u>	<u>\$ 2,197,791</u>	<u>\$ 2,204,610</u>	<u>\$ 54,569</u>

<u>LIABILITIES</u>				
Accrued Payroll Payable	\$ 61,388	\$ 2,197,791	\$ 2,204,610	\$ 54,569
Total Liabilities	<u>\$ 61,388</u>	<u>\$ 2,197,791</u>	<u>\$ 2,204,610</u>	<u>\$ 54,569</u>

	<i>Totals</i>			
	Balance July 1	Additions	Deductions	Balance June 30
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 12,891	\$ 545,664	\$ 547,641	\$ 10,914
Treasurer's Pooled Investments	48,497	1,758,846	1,763,688	43,655
Total Assets	<u>\$ 61,388</u>	<u>\$ 2,304,510</u>	<u>\$ 2,311,329</u>	<u>\$ 54,569</u>

<u>LIABILITIES</u>				
Accrued Payroll Payable	\$ 61,388	\$ 2,304,510	\$ 2,311,329	\$ 54,569
Total Liabilities	<u>\$ 61,388</u>	<u>\$ 2,304,510</u>	<u>\$ 2,311,329</u>	<u>\$ 54,569</u>



City of Phoenix



Financial Section

Other Supplementary
Information –

Component Units
– Phoenix Housing
Financing
Corporations –
Combining Financial
Statements



City of Phoenix

**Phoenix Housing Finance Corporations (Discretely Presented
Component Units)
Combining Statement of Net Position**

June 30, 2017

(in thousands)

	Phoenix Housing Finance Corporation	City of Phoenix Municipal Housing Corporation	Phoenix Central City Revitalization & LLC	Phoenix South Mountain Housing Corporation
ASSETS				
Cash and Cash Equivalents	\$ —	\$ —	\$ 1,006	\$ —
Cash Deposits	—	—	1,121	—
Cash and Securities with Fiscal Agents/Trustees	35	—	—	117
Receivables, Net of Allowances	4,607	—	6	2,613
Prepaid Items	—	—	44	—
Capital Assets, at Cost				
Non-depreciable	—	—	13,205	—
Depreciable (net)	—	—	1,496	—
Total Assets	4,642	—	16,878	2,730
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	—	—	—	—
LIABILITIES				
Accounts Payable	173	—	—	—
Reimbursement Agreement to City	—	—	2,782	—
Trust Liabilities and Deposits	—	—	75	—
Advance Payments	—	—	229	—
Liabilities Payable from Restricted Assets	—	—	—	—
Interest Payable	—	—	774	—
Noncurrent Liabilities				
Due in More Than One Year				
Notes Payable to City	—	—	15,303	—
Total Liabilities	173	—	19,163	—
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	—	—	—	—
NET POSITION				
Net Investment in Capital Assets	—	—	(3,384)	—
Unrestricted	4,469	—	1,099	2,730
Total Net Position	\$ 4,469	\$ —	\$ (2,285)	\$ 2,730

Exhibit G-1

(continued)

Phoenix South Mountain Housing Transformation Corporation, Summit, LLC	Phoenix Green Housing Corporation	Phoenix East Revitalization Corporation	Phoenix Inner Beltway Housing Corporation	Phoenix Residential Investment Development Effort	Phoenix Starfish Place Corporation	Total
\$ 665	\$ 968	\$ 1,056	\$ —	\$ —	\$ —	3,695
790	—	—	—	3,983	—	5,894
—	—	—	—	—	—	152
831	29	—	1,472	20	—	9,578
27	—	—	—	74	—	145
6,189	—	—	—	7,417	1,065	27,876
4,329	—	—	—	7,206	1,890	14,921
12,831	997	1,056	1,472	18,700	2,955	62,261
—	—	—	—	—	—	—
76	—	—	—	5	—	254
—	—	—	—	—	—	2,782
48	—	—	—	68	—	191
5	—	—	—	13	—	247
—	—	—	—	58	—	58
—	—	—	—	804	—	1,578
5,532	—	—	—	16,777	2,945	40,557
5,661	—	—	—	17,725	2,945	45,667
—	—	—	—	—	—	—
4,155	—	—	—	(2,153)	10	(1,372)
3,015	997	1,056	1,472	3,128	—	17,966
\$ 7,170	\$ 997	\$ 1,056	\$ 1,472	\$ 975	\$ 10	16,594

**Phoenix Housing Finance Corporations (Discretely Presented
Component Units)**
Combining Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Phoenix Housing Finance Corporation	City of Phoenix Municipal Housing Corporation	Phoenix Central City Revitalization Corporation & LLC	Phoenix South Mountain Housing Corporation
Revenues				
Rental Income	\$ —	\$ —	\$ 2,927	\$ —
Other Income	—	—	102	—
Interest Income	—	—	3	—
Post Construction Interest	—	—	—	85
Contribution from City of Phoenix	—	—	—	—
Total Revenues	—	—	3,032	85
Operating Expenses				
Salaries	—	—	870	—
Advertising	—	—	26	—
Maintenance	—	—	799	—
Administrative Costs	—	—	170	—
Utilities	—	—	479	—
Insurance	—	—	44	—
Interest Expense	—	—	103	—
Other	—	52	176	—
Depreciation	—	—	191	—
Total Operating Expenses	—	52	2,858	—
Change in Net Position	—	(52)	174	85
Net Position, July 1	4,469	52	(2,459)	2,645
Net Position, June 30	\$ 4,469	\$ —	\$ (2,285)	\$ 2,730

Exhibit G-2
(continued)

Phoenix South Mountain Housing Transformation Corporation, Summit, LLC	Phoenix Green Housing Corporation	Phoenix East Revitalization Corporation	Phoenix Inner Beltway Housing Corporation	Phoenix Residential Investment Development Effort	Phoenix Starfish Place Corporation	Total
\$ 1,143	\$ —	\$ —	\$ —	2,070	\$ —	\$ 6,140
34	10	—	—	231	—	377
—	—	—	—	30	—	33
—	—	—	—	3,125	—	3,210
—	—	—	—	—	10	10
1,177	10	—	—	5,456	10	9,770
335	—	—	—	561	—	1,766
18	—	—	—	15	—	59
190	—	—	—	497	—	1,486
77	—	—	—	132	—	379
228	—	—	—	513	—	1,220
35	—	—	—	86	—	165
—	—	—	—	316	—	419
119	—	—	1,153	56	—	1,556
234	—	—	—	237	—	662
1,236	—	—	1,153	2,413	—	7,712
(59)	10	—	(1,153)	3,043	10	2,058
7,229	987	1,056	2,625	(2,068)	—	14,536
\$ 7,170	\$ 997	\$ 1,056	\$ 1,472	\$ 975	10	\$ 16,594



City of Phoenix



Financial Section

Other Supplementary
Information –

Other Supporting
Schedules



City of Phoenix

Summary of Operating Funds - Budget Basis

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Resources					
	Fund Balances July 1	Revenues	Recoveries	Fund Transfers		Total
				From	To	
General Purpose Funds						
General Fund	\$ 112,544	\$ 327,003	\$ 3,690	\$ 828,357	\$ (21,738)	\$ 1,249,856
Excise Tax	—	1,210,387	—	—	(1,210,387)	—
Total General Purpose Funds	112,544	1,537,390	3,690	828,357	(1,232,125)	1,249,856
Federal Funds						
Transit - Federal Grants	—	55,272	122	24	—	55,418
Grants						
Human Services	—	46,084	116	—	—	46,200
Community Development	3,959	19,846	12	—	—	23,817
Federal Operating Trust	—	36,969	199	—	(6)	37,162
Public Housing Neighborhood Transformation	2,517	2,587	6	—	—	5,110
Total Federal Funds	6,476	160,758	455	24	(6)	167,707
Other Special Revenue and Debt Service Funds						
Highway User Revenue	51,922	127,142	1,477	1,575	—	182,116
Transit 2000	175,186	2,730	312	—	(47,089)	131,139
Transportation Tax 2050	106,857	48,452	96	203,710	(14,689)	344,426
Transit - Other Agency	(14,001)	43,866	(468)	—	(24)	29,373
Municipal Court Awards	(89)	6,405	18	—	—	6,334
Parks and Preserves	47,318	1,054	413	30,172	(4)	78,953
Development Services	46,240	53,410	71	—	(3,289)	96,432
Community Reinvestment	12,161	7,068	—	—	(2,064)	17,165
Public Housing	8,694	89,723	161	2,141	(334)	100,385
Sports Facilities	26,453	8,976	1	23,083	(299)	58,214
Capital Construction	6,037	142	243	11,064	—	17,486
Other Restricted	73,909	41,280	300	23,444	(7,775)	131,158
Neighborhood Protection	18,121	466	1	30,174	(173)	48,589
Public Safety Enhancement	4,382	—	—	25,059	(290)	29,151
Public Safety Expansion	4,240	17	1	60,346	(406)	64,198
Golf Courses	317	5,770	4	—	—	6,091
Secondary Property Tax Debt Service	100	95,759	—	386,045	(354,683)	127,221
City Improvement	—	—	—	180,993	(86,309)	94,684
Regional Wireless Cooperative	2,326	4,123	—	—	—	6,449
Total Other Funds	570,173	536,383	2,630	977,806	(517,428)	1,569,564
Enterprise Funds						
Aviation	326,033	370,841	1,498	2,769	(24,294)	676,847
Phoenix Convention Center	41,879	20,402	51	49,082	(2,680)	108,734
Water System	104,394	411,875	2,710	352	(25,499)	493,832
Water System - Val Vista	1,079	16,824	60	—	(529)	17,434
Wastewater	115,315	204,709	1,039	105	(14,779)	306,389
Wastewater - SROG	5,352	46,225	641	—	(1,697)	50,521
Solid Waste	54,679	151,113	468	—	(12,704)	193,556
Total Enterprise Funds	648,731	1,221,989	6,467	52,308	(82,182)	1,847,313
Total Operating Funds	<u>\$ 1,337,924</u>	<u>\$ 3,456,520</u>	<u>\$ 13,242</u>	<u>\$ 1,858,495</u>	<u>\$ (1,831,741)</u>	<u>\$ 4,834,440</u>
Other Transfers - Non-budgeted Funds				28,300	(53,523)	
Debt Service Adjustment (2)				(441,497)	439,966	
				<u>1,445,298</u>	<u>(1,445,298)</u>	

(1) Includes operating capital outlay and utility repayment agreements.

(2) Fund Transfers include amounts for proceeds from various bonds. These amounts are adjusted out of the Fund Transfer total to show actual transfer balances.

Exhibit H-1

(Continued)

Expenditures and Encumbrances							Fund Balances June 30
Current Operating (1)	Capital Impr. Program	Debt Service	Lease-Purchase	Total			
\$ 1,099,941	\$ 5,421	\$ —	\$ —	\$ 1,105,362	\$	144,494	
—	—	—	—	—	—	—	
1,099,941	5,421	—	—	1,105,362		144,494	
11,302	44,115	—	—	55,417		1	
46,200	—	—	—	46,200		—	
13,976	6,050	—	—	20,026		3,791	
37,162	—	—	—	37,162		—	
673	624	—	—	1,297		3,813	
109,313	50,789	—	—	160,102		7,605	
52,397	74,304	—	—	126,701		55,415	
125,731	4,130	—	—	129,861		1,278	
41,508	48,160	—	—	89,668		254,758	
30,758	12,604	—	—	43,362		(13,989)	
5,774	325	—	—	6,099		235	
3,989	31,169	—	—	35,158		43,795	
41,879	333	—	—	42,212		54,220	
388	4,747	—	—	5,135		12,030	
81,614	2,893	—	—	84,507		15,878	
2,268	249	48	17,840	20,405		37,809	
198	6,064	—	—	6,262		11,224	
40,218	5,374	—	—	45,592		85,566	
25,048	—	—	—	25,048		23,541	
19,440	—	—	—	19,440		9,711	
49,037	—	—	—	49,037		15,161	
5,841	—	—	—	5,841		250	
—	—	126,695	—	126,695		526	
—	—	147	94,421	94,568		116	
4,693	—	—	—	4,693		1,756	
530,781	190,352	126,890	112,261	960,284		609,280	
245,116	42,693	54,927	—	342,736		334,111	
44,065	1,187	—	19,702	64,954		43,780	
168,659	149,594	113,340	—	431,593		62,239	
14,244	2,836	—	—	17,080		354	
77,642	76,938	70,270	—	224,850		81,539	
39,741	5,449	—	—	45,190		5,331	
126,156	10,557	1,378	11,564	149,655		43,901	
715,623	289,254	239,915	31,266	1,276,058		571,255	
\$ 2,455,658	\$ 535,816	\$ 366,805	\$ 143,527	\$ 3,501,806	\$	1,332,634	

City of Phoenix, Arizona
Summary of Capital Projects Funds
Budget Basis

Exhibit H-2

For the Fiscal Year Ended June 30, 2017

(in thousands)

	Resources				
	Beginning Balances, July 1	Current Revenue			Recovery of Prior Years Expenditures
		Grants	Interest	Other	
General Government					
2001 Bond Program	\$ (51)	\$ —	\$ —	\$ —	\$ —
2006 Bond Program	4,533	—	154	—	200
2010 Lease Purchase	483	—	—	—	—
2013 Lease Purchase	(4,801)	—	—	—	—
General Gov't Lease Purchase	551	—	57	—	—
Mega IV Lease Purchase	4,406	—	—	—	—
Mega V Lease Purchase	(2,307)	—	11	292	—
Regional Wireless	(23,036)	—	66	(204)	138
Sports Facilities Capital Reserve	10,354	—	72	—	—
Trunked Radio System	179	—	—	—	—
	(9,689)	—	360	88	338
Public Safety					
1988 Bond Program	27	—	—	—	—
2001 Bond Program	(524)	—	—	—	12
2006 Bond Program	157	—	—	—	349
Impact Fees	4,203	—	55	2,683	—
Other Cities Reimbursement - 800Mhz	289	—	—	—	—
	4,152	—	55	2,683	361
Transportation					
1988 Bond Program	845	—	—	—	—
2001 Bond Program	(457)	—	—	—	—
2004 CIC Transit LRT Revenue Bonds	—	—	—	—	—
2006 Bond Program	6,626	—	—	—	505
AHUR Capital Reserve	22,187	—	179	—	293
American Rec. & Reinv. Act of 2009	(1)	—	—	—	—
Federal Aid - Street Transportation	(7,945)	13,388	—	—	1,140
Federal Transportation Administration Grants	(3,852)	4,387	—	—	5
Impact Fees	8,484	—	102	3,560	65
State Aid - Street Transportation	(7,514)	2,322	—	344	202
	18,373	20,097	281	3,904	2,210
Public Works					
2001 Bond Program	332	—	—	—	—
2006 Bond Program	(909)	—	—	—	439
Capital Replacement Fund	7,921	—	75	137	—
Impact Fees	7,497	—	84	1,279	—
	14,841	—	159	1,416	439
Community Enrichment					
1988 Bond Program	413	—	—	6	—
2001 Bond Program	2,933	—	—	—	6
2006 Bond Program	4,397	—	—	—	68
Impact Fees	25,488	—	274	3,978	302
Parks & Rec Grants	361	—	—	—	—
Parks and Rec Dept Capital Gifts	27	—	—	—	4
Parks land sale proceeds	1,961	—	20	—	—
	35,580	—	294	3,984	380
Community Development					
1989 Bond Program	2	—	—	(10)	—
2001 Bond Program	5,916	—	—	—	11
2006 Bond Program	74	—	—	1	85
830 E Jefferson Remodel	(13)	—	—	—	—
Federal Modernization Grants	(2,136)	9,572	30	—	4
Impact Fees	1,272	—	23	15	67
	\$ 5,115	\$ 9,572	\$ 53	\$ 6	\$ 167

Exhibit H-2
(Continued)

Bonds Sold	Fund Transfers To(From)	Total Resources	Uses		Ending Balances, June 30	Bonds Available for Sale
			Expenditures and Encumbrances			
\$ —	\$ —	\$ (51)	\$ —	\$ —	\$ (51)	615
—	—	4,887	(317)	—	4,570	4,790
—	(100)	383	—	—	383	—
—	104	(4,697)	—	—	(4,697)	—
64,889	—	65,497	(3,687)	—	61,810	—
—	—	4,406	—	—	4,406	—
11,111	(3)	9,104	—	—	9,104	—
57,394	10,082	44,440	(13,818)	—	30,622	—
—	—	10,426	—	—	10,426	—
—	—	179	—	—	179	—
133,394	10,083	134,574	(17,822)	—	116,752	5,405
—	—	27	—	—	27	—
—	—	(512)	—	—	(512)	1,915
—	—	506	(101)	—	405	36,700
—	—	6,941	—	—	6,941	—
—	—	289	—	—	289	—
—	—	7,251	(101)	—	7,150	38,615
—	—	845	—	—	845	1,000
—	—	(457)	—	—	(457)	2,225
—	66	66	—	—	66	—
—	—	7,131	(396)	—	6,735	23,865
—	(2,600)	20,059	(2,398)	—	17,661	—
—	—	(1)	—	—	(1)	—
—	—	6,583	(11,061)	—	(4,478)	—
—	—	540	(16,132)	—	(15,592)	—
—	—	12,211	—	—	12,211	—
—	(67)	(4,713)	(8,959)	—	(13,672)	—
—	(2,601)	42,264	(38,946)	—	3,318	27,090
—	—	332	—	—	332	305
—	67	(403)	(335)	—	(738)	9,669
—	(614)	7,519	(1)	—	7,518	—
—	—	8,860	(229)	—	8,631	—
—	(547)	16,308	(565)	—	15,743	9,974
—	—	419	—	—	419	—
—	—	2,939	(55)	—	2,884	7,400
—	—	4,465	(249)	—	4,216	26,056
—	—	30,042	(783)	—	29,259	—
—	—	361	—	—	361	—
—	—	31	—	—	31	—
—	—	1,981	—	—	1,981	—
—	—	40,238	(1,087)	—	39,151	33,456
—	—	(8)	10	—	2	—
—	—	5,927	—	—	5,927	3,150
—	—	160	(248)	—	(88)	34,665
—	—	(13)	—	—	(13)	—
—	—	7,470	(4,549)	—	2,921	—
—	—	1,377	(137)	—	1,240	—
\$ —	\$ —	\$ 14,913	\$ (4,924)	\$ —	\$ 9,989	\$ 37,815

City of Phoenix, Arizona
Summary of Capital Projects Funds
Budget Basis

Exhibit H-2
(Continued)

For Fiscal Year Ended June 30, 2017
(in thousands)

	Beginning Balances, July 1	Resources			Recovery of Prior Years Expenditures
		Grants	Interest	Other	
Aviation					
Airport Facilities Improvement Grants	\$ (31,314)	\$ 23,957	\$ —	\$ —	\$ 404
Airport Revenue Bonds	(302,209)	—	—	—	168
Aviation Commercial Paper Fund	22,206	—	19	—	—
CFC City Improvement Reserves/Surplus	22,649	—	162	—	—
CFC Trustee-Improvement Reserves/Surplus	66,756	—	203	47,265	—
City Improvement Aviation Bonds	127,814	—	—	—	—
Passenger Facility Charges	34,864	—	1,295	84,190	157
Senior Lien Airport Revenue Bonds	1,189	—	—	—	—
Transportation Security Admin Grant	2,887	—	—	—	—
	(55,158)	23,957	1,679	131,455	729
Phoenix Convention Center					
CC Expansion Series B	9,732	20,449	126	—	—
	9,732	20,449	126	—	—
Water System					
CIC Water Bonds	(405)	—	—	—	129
Impact Fees	40,879	—	448	9,364	—
Special Water Improvement	100,005	—	—	3	—
Val Vista - Other Agencies' Participation	(434)	—	—	536	26
	140,045	—	448	9,903	155
Wastewater					
CIC Wastewater Bonds	354	—	—	—	32
Impact Fees	50,188	—	526	5,138	—
Special Wastewater Improvement	53,000	—	—	—	—
SROG - Other Agencies' Participation	(7,376)	—	—	6,266	30
	96,166	—	526	11,404	62
Solid Waste					
End Use Reserve	16,036	—	159	—	—
Solid - Mega IV	1,269	—	77	—	10
Solid Waste Disposal CIC Bonds Prin/Int	4	—	—	—	—
Solid Waste Remediation Funds	4,883	—	79	—	—
	22,192	—	315	—	10
	\$ 281,349	\$ 74,075	\$ 4,296	\$ 164,843	\$ 4,851

Exhibit H-2
(Continued)

Bonds Sold	Fund Transfers To(From)	Total Resources	Uses		Ending Balances, June 30	Bonds Available for Sale
			Expenditures and Encumbrances			
\$ —	\$ 6,974	\$ 21	\$ (21,876)	\$ (21,855)	\$ —	—
—	26,833	(275,208)	(701)	(275,909)	—	—
50,000	(22,606)	49,619	(1,745)	47,874	—	—
—	330	23,141	—	23,141	—	—
—	(16,520)	97,704	(21,277)	76,427	—	—
—	—	127,814	—	127,814	—	—
—	(4,236)	116,270	(64,545)	51,725	—	—
—	(1,189)	—	—	—	—	—
—	(2,874)	13	—	13	—	—
50,000	(13,288)	139,374	(110,144)	29,230	—	—
—	—	30,307	(20,449)	9,858	—	—
—	—	30,307	(20,449)	9,858	—	—
—	—	(276)	(34,235)	(34,511)	—	—
—	—	50,691	—	50,691	—	—
—	—	100,008	—	100,008	—	—
—	—	128	(570)	(442)	—	—
—	—	150,551	(34,805)	115,746	—	—
—	—	386	(12,876)	(12,490)	—	—
—	—	55,852	(183)	55,669	—	—
—	—	53,000	—	53,000	—	—
—	—	(1,080)	(13,498)	(14,578)	—	—
—	—	108,158	(26,557)	81,601	—	—
—	1,273	17,468	(11)	17,457	—	—
—	—	1,356	(403)	953	—	—
32,400	(32,304)	100	(96)	4	—	—
—	—	4,962	(509)	4,453	—	—
32,400	(31,031)	23,886	(1,019)	22,867	—	—
\$ 215,794	\$ (37,384)	\$ 707,824	\$ (256,419)	\$ 451,405	\$ 152,355	—

City of Phoenix, Arizona
Capital Improvement Program
Expenditures and Encumbrances

Exhibit H-3

For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

	Operating Funds (1)		Capital Funds		Totals	
	2017	2016	2017	2016	2017	2016
General Government						
Information Technology	\$ 8,131	\$ 5,336	\$ 14,827	\$ 10,754	\$ 22,958	\$ 16,090
Regional Wireless	—	—	1,471	9,812	1,471	9,812
Finance Projects	—	222	—	181	—	403
	8,131	5,558	16,298	20,747	24,429	26,305
Public Safety						
Fire Protection	616	1,159	418	1,343	1,034	2,502
Police Protection	325	2,080	—	2,848	325	4,928
	941	3,239	418	4,191	1,359	7,430
Transportation						
Street Transportation and Drainage	98,310	60,949	24,704	28,425	123,014	89,374
Transit	92,910	61,361	16,132	734	109,042	62,095
	191,220	122,310	40,836	29,159	232,056	151,469
Public Works						
Energy Conservation	1,181	1,453	—	—	1,181	1,453
Facilities Management	2,510	1,645	23	89	2,533	1,734
	3,691	3,098	23	89	3,714	3,187
Community Enrichment						
Arts and Cultural Facilities	—	—	55	—	55	—
Libraries	171	200	220	498	391	698
Parks and Mountain Preserves	36,505	18,473	781	4,041	37,286	22,514
	36,676	18,673	1,056	4,539	37,732	23,212
Community Development						
Economic/Downtown Development	6,835	6,555	—	255	6,835	6,810
Historic Preservation	—	—	197	328	197	328
Housing / HOPE VI	3,848	5,152	4,550	13,726	8,398	18,878
Neighborhood Development	840	1,014	40	135	880	1,149
	11,523	12,721	4,787	14,444	16,310	27,165
Aviation	41,814	53,688	110,144	484,211	151,958	537,899
Convention Center	1,436	4,105	20,449	20,449	21,885	24,554
Water System	154,376	90,992	34,834	8,100	189,210	99,092
Wastewater	79,610	34,641	26,557	7,546	106,167	42,187
Solid Waste	6,400	6,373	1,017	2,408	7,417	8,781
	<u>\$ 535,818</u>	<u>\$ 355,398</u>	<u>\$ 256,419</u>	<u>\$ 595,883</u>	<u>\$ 792,237</u>	<u>\$ 951,281</u>

(1) The amounts reported on this exhibit are by program, not by funding source. For the enterprise operating funds, funding for capital improvement program expenditures for the fiscal year ended June 30, 2017 as reported in the accompanying budgetary financial statements was as follows:

Aviation	\$ 42,693
Convention Center	1,187
Water	149,594
Water - Val Vista	2,836
Wastewater	76,939
Wastewater - SROG	5,449
Solid Waste	10,557
	<u>\$ 289,255</u>

Transfers To/From Other Funds

For the Fiscal Year Ended June 30, 2017

(in thousands)

	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise Funds	Totals
Transfers From						
General Fund	\$ —	\$ 19,980 (1)	\$ 34,388 (3)	\$ 3,729 (6)	\$ 49,051	\$ 107,148
Special Revenue						
Transit	14	—	61,006 (4)	5 (6)	—	61,025
Development Services	2,064	—	—	—	—	2,064
Grants	—	6 (2)	—	—	—	6
Public Housing	500	—	74 (4)	—	—	574
Other Restricted	1,448	2,085 (2)	3,623 (5)	66 (7)	187	7,409
Golf Courses	1,253	—	—	—	—	1,253
Total Special Revenue	5,279	2,091	64,703	71	187	72,331
Debt Service						
City Improvement	—	—	—	1,026 (6)	—	1,026
Total Debt Service	—	—	—	1,026	—	1,026
Capital Projects						
Parks & Preserves	4	—	—	—	—	4
Street Improvements	2,600	—	—	2 (8)	—	2,602
Municipal Buildings and Service Centers	—	614 (2)	1,026 (4)	100 (9)	—	1,740
Total Capital Projects	2,604	614	1,026	102	—	4,346
Enterprise						
Aviation	—	—	—	370 (6)	—	370
Phoenix Convention Center	5	—	—	12 (6)	—	17
Water System	14,485	—	—	3,441 (6)	23,612	41,538
Wastewater	8,787	—	—	2,287 (6)	—	11,074
Solid Waste	1,292	—	—	238 (6)	—	1,530
Total Enterprise	24,569	—	—	6,348	23,612	54,529
Totals	\$ 32,452	\$ 22,685	\$ 100,117	\$ 11,276	\$ 72,850	\$ 239,380

(1) Public Housing, Other Restricted

(2) Other Restricted

(3) City Improvement, Special Assessments

(4) City Improvement

(5) Sports Facilities

(6) Municipal Buildings and Service Centers

(7) Transit Capital Projects Fund

(8) Storm Sewers

(9) Police and Fire Protection

City of Phoenix, Arizona
Budgetary Transfers - Budget Basis

Exhibit H-5

For the Fiscal Year Ended June 30, 2017
(in thousands)

	Transfers to					
	General Fund			Special Revenue		
	Staff and Administrative	In-Lieu Property Taxes	Other Transfers	Total General Fund	Neighborhood Protection	Transit 2000
Transfers from						
General Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Revenue Funds						
Excise Tax	—	—	744,408	744,408	30,084	—
Transit 2000	752	—	—	752	—	—
Transit Other Agency	—	—	—	—	—	—
Transportation Tax 2050	—	—	—	—	—	—
Development Services	3,289	—	—	3,289	—	—
Community Reinvestment	—	—	2,064	2,064	—	—
Federal Operating Trust Grants	—	—	—	—	—	—
Public Housing	—	261	—	261	—	—
Sports Facilities	220	—	79	299	—	—
Parks and Preserves	—	—	—	—	—	—
Other Restricted	197	—	1,448	1,645	—	—
Neighborhood Protection	173	—	—	173	—	—
Public Safety Enhancement	290	—	—	290	—	—
Public Safety Expansion	406	—	—	406	—	—
Total Special Revenue	5,327	261	747,999	753,587	30,084	—
Debt Service Funds						
City Improvement	—	—	—	—	—	—
Total Debt Service	—	—	—	—	—	—
Enterprise Funds						
Aviation	8,373	—	1,165	9,538	90	—
Phoenix Convention Center	2,663	—	—	2,663	—	—
Water System	7,574	14,484	—	22,058	—	—
Water System - Val Vista	529	—	—	529	—	—
Wastewater	3,705	8,787	—	12,492	—	—
Wastewater - SROG	1,697	—	—	1,697	—	—
Solid Waste	6,901	1,292	—	8,193	—	—
Total Enterprise	31,442	24,563	1,165	57,170	90	—
Other Funds not Budgeted						
Workers' Compensation Trust	—	—	15,000	15,000	—	—
Interest Alignment Trust	—	—	—	—	—	—
Municipal Buildings Capital	—	—	—	—	—	—
General Obligation Reserve Fund	—	—	—	—	—	—
Streets Improvements Capital	—	—	2,600	2,600	—	—
Aviation Capital	—	—	—	—	—	—
Water Capital	—	—	—	—	—	—
Wastewater Capital	—	—	—	—	—	—
Total Other Funds not Budgeted	—	—	17,600	17,600	—	—
Totals	\$ 36,769	\$ 24,824	\$ 766,764	\$ 828,357	\$ 30,174	\$ —

- (1) Other Restricted Special Revenue Funds
- (2) Transfer to Capital Construction (\$11,064), Sports Facilities (\$18,435), Parks and Preserves (\$30,082), Public Safety Enhancement (\$25,059), Public Safety Expansion (\$60,167), Other Restricted (\$4,815), Transportation Tax 2050 (\$202,842) Special Revenue Funds
- (3) Transfer to Federal Transit Grants Special Revenue Fund
- (4) Transfer to Transportation Tax 2050 (\$510), Sports Facilities (\$3,622), Housing (\$170), Highway User (\$1,575) Special Revenue Funds
- (5) Transfer to Municipal Buildings and Service Centers Capital Projects Fund
- (6) Transfer to Parks and Preserves (\$90), Public Safety Expansion (\$179), Transportation Tax 2050 (\$358) Special Revenue Funds
- (7) Transfer to Public Housing Special Revenue Fund
- (8) Transfer to City Improvement Debt Service Fund
- (9) Transfer to Secondary Property Tax Debt Service Fund
- (10) Transfer to Aviation Enterprise Fund
- (11) Transfer to Water System Enterprise Fund

Exhibit H-5

(Continued)

Transfers to							
Funds		Enterprise Funds			Funds Not Budgeted		Totals
Other	Debt Service Funds	Phoenix Convention Center	Other	Infrastructure Repayment Agreement	Other		
\$ 18,009 (1)	\$ —	\$ —	\$ —	\$ —	\$ 3,729 (5)	\$ 21,738	
352,464 (2)	34,380 (8)	49,051	—	—	—	1,210,387	
—	46,332 (8)	—	—	—	5 (5)	47,089	
24 (3)	—	—	—	—	—	24	
—	14,675 (8)	—	—	14	—	14,689	
—	—	—	—	—	—	3,289	
—	—	—	—	—	—	2,064	
6 (1)	—	—	—	—	—	6	
—	73 (8)	—	—	—	—	334	
—	—	—	—	—	—	299	
—	—	—	—	4	—	4	
5,877 (4)	—	—	—	—	253 (13)	7,775	
—	—	—	—	—	—	173	
—	—	—	—	—	—	290	
—	—	—	—	—	—	406	
358,371	95,460	49,051	—	18	258	1,286,829	
1,026 (5)	—	—	—	—	—	1,026	
1,026	—	—	—	—	—	1,026	
627 (6)	—	—	—	—	14,039 (14)	24,294	
—	—	—	—	5	12 (5)	2,680	
—	—	—	—	—	3,441 (5)	25,499	
—	—	—	—	—	—	529	
—	—	—	—	—	2,287 (5)	14,779	
—	—	—	—	—	—	1,697	
—	—	—	—	—	4,511 (15)	12,704	
627	—	—	—	5	24,290	82,182	
—	—	—	—	—	—	15,000	
1,971 (7)	—	—	—	—	—	1,971	
614 (1)	—	—	—	—	—	614	
—	30,112 (9)	—	—	—	—	30,112	
—	—	—	—	—	—	2,600	
—	—	—	2,769 (10)	—	—	2,769	
—	—	—	352 (11)	—	—	352	
—	—	—	105 (12)	—	—	105	
2,585	30,112	—	3,226	—	—	53,523	
\$ 380,618	\$ 125,572	\$ 49,051	\$ 3,226	\$ 23	\$ 28,277	\$ 1,445,298	

(12) Transfer to Wastewater Enterprise Fund

(13) Transfer to Water Capital Fund (\$187), Transit Capital Projects Fund (\$66)

(14) Transfer to Aviation Capital Fund (\$5,669), Municipal Buildings and Service Centers Capital Projects Fund (\$370), Interest Alignment Trust Fund (\$8,000)

(15) Transfer to Solid Waste Capital Reserve Fund (\$1,273), Municipal Buildings and Service Centers Capital Projects Fund (\$238), Interest Alignment Trust Fund (\$3,000)

City of Phoenix, Arizona
Bonds and Other Debt Payable

Exhibit H-6

June 30, 2017

(in thousands)

	Authorized	Sold	Unsold	Retired/ Refunded/ Defeased	Capital Appreciation	Outstanding at June 30, 2017 (1)			
						Total	Payable from		City Revenues/ Other (2)
							General Property Taxes		
General Obligation Bonds									
6% Limitation									
Various Purpose	\$ 755,530	\$ 691,210	\$ 64,320	\$ 489,095	\$ —	\$ 202,115	\$ 202,115	\$ —	\$ —
Solid Waste	32,815	32,815	—	27,815	—	5,000	—	5,000	—
20% Limitation									
Various Purpose	2,035,230	1,947,195	88,035	970,980	—	976,215	976,215	—	—
Airport	30,435	30,435	—	22,570	—	7,865	—	7,865	—
Sanitary Sewers	72,200	72,200	—	68,725	—	3,475	—	3,475	—
Water	112,949	112,949	—	106,214	—	6,735	—	6,735	—
Total General Obligation Bonds	3,039,159	2,886,804	152,355	1,685,399	—	1,201,405	1,178,330	23,075	—
Revenue Bonds/Bank Loans									
Hotel	305,940	305,940	—	—	—	305,940	—	305,940	—
Wastewater	17,591	17,591	—	6,784	—	10,807	—	10,807	—
Water	6,520	6,520	—	3,320	—	3,200	—	3,200	—
Total Revenue Bonds/ Bank Loans	330,051	330,051	—	10,104	—	319,947	—	319,947	—
Total General Obligation and Revenue Bonds/ Bank Loans	3,369,210	3,216,855	152,355	1,695,503	—	1,521,352	1,178,330	343,022	—
Municipal Corporation Obligations									
General Government	1,838,676	1,838,676	—	1,248,076	—	590,600	—	590,600	—
Enterprise	7,685,256	7,685,256	—	4,013,587	111,676	3,783,345	—	3,783,345	—
Total Municipal Corporation Obligations	9,523,932	9,523,932	—	5,261,663	111,676	4,373,945	—	4,373,945	—
Special Assessment Bonds									
Totals	229	229	—	133	—	96	—	96	—
Totals	\$12,893,371	\$12,741,016	\$152,355	\$ 6,957,299	\$ 111,676	\$ 5,895,393	\$ 1,178,330	\$ 4,717,063	—

(1) Net of July 1, 2017 payments deposited with the City's fiscal agent. Balances have not been reduced for amount held in the general obligation reserve fund. General obligation reserve fund balance totaled \$82 million on June 30, 2017.

(2) These bonds are supported by City enterprise revenues, excise taxes, special revenues, special assessments, and grants.

City of Phoenix, Arizona
Debt Service Requirements

Exhibit H-7

General Obligation Bonds Limited to Six Percent of Assessed Valuation (1)

June 30, 2017

(in thousands)

Fiscal Year	General Government (2)			Solid Waste Bonds			Total 6% Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017-18	\$ 32,590	\$ 8,922	\$ 41,512	\$ 1,845	\$ 236	\$ 2,081	\$ 34,435	\$ 9,158	\$ 43,593
2018-19	25,160	7,619	32,779	1,595	144	1,739	26,755	7,763	34,518
2019-20	31,495	6,569	38,064	920	78	998	32,415	6,647	39,062
2020-21	21,485	5,266	26,751	310	32	342	21,795	5,298	27,093
2021-22	14,340	4,428	18,768	330	17	347	14,670	4,445	19,115
2022-23	16,255	3,697	19,952	—	—	—	16,255	3,697	19,952
2023-24	29,825	2,971	32,796	—	—	—	29,825	2,971	32,796
2024-25	30,965	1,548	32,513	—	—	—	30,965	1,548	32,513
	<u>\$ 202,115</u>	<u>\$ 41,020</u>	<u>\$ 243,135</u>	<u>\$ 5,000</u>	<u>\$ 507</u>	<u>\$ 5,507</u>	<u>\$ 207,115</u>	<u>\$ 41,527</u>	<u>\$ 248,642</u>

(1) Various purpose general obligation bonds are limited to 6% of assessed valuation, except for bonds issued for water, sewer, artificial light, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire and emergency services facilities, and street and transportation facilities, which are limited to 20% of assessed valuation (see Exhibit H-8).

(2) Includes all property tax supported various purpose general obligation bonds limited to 6% of assessed valuation.

City of Phoenix, Arizona
Debt Service Requirements
General Obligation Bonds Limited to
Twenty Percent of Assessed Valuation (1)

Exhibit H-8

June 30, 2017
(in thousands)

Fiscal Year	General Government (2)			Airport Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017-18	\$ 16,595	\$ 43,135	\$ 59,730	\$ —	\$ 197	\$ 197
2018-19	32,300	42,227	74,527	4,520	197	4,717
2019-20	37,330	40,817	78,147	3,345	83	3,428
2020-21	62,800	39,295	102,095	—	—	—
2021-22	73,505	36,792	110,297	—	—	—
2022-23	81,590	33,957	115,547	—	—	—
2023-24	78,895	30,520	109,415	—	—	—
2024-25	90,435	27,141	117,576	—	—	—
2025-26	132,135	23,253	155,388	—	—	—
2026-27	138,015	17,208	155,223	—	—	—
2027-28	42,655	10,935	53,590	—	—	—
2028-29	28,940	9,130	38,070	—	—	—
2029-30	29,985	7,719	37,704	—	—	—
2030-31	31,065	6,257	37,322	—	—	—
2031-32	32,185	4,743	36,928	—	—	—
2032-33	33,310	3,211	36,521	—	—	—
2033-34	34,475	1,625	36,100	—	—	—
2034-35	—	—	—	—	—	—
	<u>\$ 976,215</u>	<u>\$ 377,965</u>	<u>\$ 1,354,180</u>	<u>\$ 7,865</u>	<u>\$ 477</u>	<u>\$ 8,342</u>

- (1) Various purpose bonds limited to 20% of assessed valuation are those issued for water, sewer, artificial light, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire and emergency services facilities, and streets and transportation facilities. Other general obligation bonds are limited to 6% of assessed valuation (see Exhibit H-7).
- (2) Includes all property tax supported various purpose general obligation bonds limited to 20% of assessed valuation.

Exhibit H-8
(Continued)

Water Bonds			Sanitary Sewer Bonds			Total 20% Bonds		
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
\$ —	\$ 197	\$ 197	\$ 590	\$ 138	\$ 728	\$ 17,185	\$ 43,667	\$ 60,852
—	197	197	1,160	107	1,267	37,980	42,728	80,708
6,735	196	6,931	1,350	62	1,412	48,760	41,158	89,918
—	—	—	375	15	390	63,175	39,310	102,485
—	—	—	—	—	—	73,505	36,792	110,297
—	—	—	—	—	—	81,590	33,957	115,547
—	—	—	—	—	—	78,895	30,520	109,415
—	—	—	—	—	—	90,435	27,141	117,576
—	—	—	—	—	—	132,135	23,253	155,388
—	—	—	—	—	—	138,015	17,208	155,223
—	—	—	—	—	—	42,655	10,935	53,590
—	—	—	—	—	—	28,940	9,130	38,070
—	—	—	—	—	—	29,985	7,719	37,704
—	—	—	—	—	—	31,065	6,257	37,322
—	—	—	—	—	—	32,185	4,743	36,928
—	—	—	—	—	—	33,310	3,211	36,521
—	—	—	—	—	—	34,475	1,625	36,100
—	—	—	—	—	—	—	—	—
<u>\$ 6,735</u>	<u>\$ 590</u>	<u>\$ 7,325</u>	<u>\$ 3,475</u>	<u>\$ 322</u>	<u>\$ 3,797</u>	<u>\$ 994,290</u>	<u>\$ 379,354</u>	<u>\$ 1,373,644</u>

City of Phoenix, Arizona
Debt Service Requirements
By Type of Security to Bondholders

Exhibit H-9

June 30, 2017

(in thousands)

Fiscal Year	General Obligation (1)		
	Principal	Interest	Total
2017-18	\$ 51,620	\$ 52,825	\$ 104,445
2018-19	64,735	50,491	115,226
2019-20	81,175	47,805	128,980
2020-21	84,970	44,608	129,578
2021-22	88,175	41,237	129,412
2022-23	97,845	37,654	135,499
2023-24	108,720	33,491	142,211
2024-25	121,400	28,689	150,089
2025-26	132,135	23,253	155,388
2026-27	138,015	17,208	155,223
2027-28	42,655	10,935	53,590
2028-29	28,940	9,130	38,070
2029-30	29,985	7,719	37,704
2030-31	31,065	6,257	37,322
2031-32	32,185	4,743	36,928
2032-33	33,310	3,211	36,521
2033-34	34,475	1,625	36,100
	<u>\$ 1,201,405</u>	<u>\$ 420,881</u>	<u>\$ 1,622,286</u>

(1) Includes all property tax supported various purpose general obligation bonds and general obligation bonds issued for the City's enterprise funds.

City of Phoenix, Arizona
Debt Service Requirements
By General Purpose of Assets Acquired

Exhibit H-10

June 30, 2017

(in thousands)

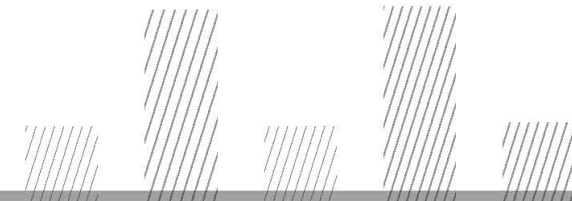
Fiscal Year	General Government (1)			Enterprise (2)			Total Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017-18	\$ 49,185	\$ 52,057	\$ 101,242	\$ 2,435	\$ 768	\$ 3,203	\$ 51,620	\$ 52,825	\$ 104,445
2018-19	57,460	49,846	107,306	7,275	645	7,920	64,735	50,491	115,226
2019-20	68,825	47,386	116,211	12,350	419	12,769	81,175	47,805	128,980
2020-21	84,285	44,561	128,846	685	47	732	84,970	44,608	129,578
2021-22	87,845	41,220	129,065	330	17	347	88,175	41,237	129,412
2022-23	97,845	37,654	135,499	—	—	—	97,845	37,654	135,499
2023-24	108,720	33,491	142,211	—	—	—	108,720	33,491	142,211
2024-25	121,400	28,689	150,089	—	—	—	121,400	28,689	150,089
2025-26	132,135	23,253	155,388	—	—	—	132,135	23,253	155,388
2026-27	138,015	17,208	155,223	—	—	—	138,015	17,208	155,223
2027-28	42,655	10,935	53,590	—	—	—	42,655	10,935	53,590
2028-29	28,940	9,130	38,070	—	—	—	28,940	9,130	38,070
2029-30	29,985	7,719	37,704	—	—	—	29,985	7,719	37,704
2030-31	31,065	6,257	37,322	—	—	—	31,065	6,257	37,322
2031-32	32,185	4,743	36,928	—	—	—	32,185	4,743	36,928
2032-33	33,310	3,211	36,521	—	—	—	33,310	3,211	36,521
2033-34	34,475	1,625	36,100	—	—	—	34,475	1,625	36,100
	<u>\$1,178,330</u>	<u>\$ 418,985</u>	<u>\$1,597,315</u>	<u>\$ 23,075</u>	<u>\$ 1,896</u>	<u>\$ 24,971</u>	<u>\$1,201,405</u>	<u>\$ 420,881</u>	<u>\$1,622,286</u>

(1) Includes all property tax supported various purpose general obligation bonds.

(2) Includes all general obligation bonds issued for the City's enterprise funds.

Description	Rating (1)		
	Moody's	S & P	Fitch (2)
General Obligation	Aa1	AA+	AAA
Senior Lien Excise Tax Revenue (3)	Aa2	AAA	AA+
Junior Lien Excise Tax Revenue (4)	-	-	-
Subordinated Excise Tax Revenue (3)	Aa2	AA+	AA+
Senior Lien Airport Revenue (3)	Aa3	AA-	-
Junior Lien Airport Revenue (3)	A1	A+	-
Senior Lien Street & Highway User Revenue (5)	-	-	-
Junior Lien Street & Highway User Revenue (5)	-	-	-
Senior Lien Wastewater System Revenue (3)	Aa2	AAA	-
Junior Lien Wastewater System Revenue (3)	Aa2	AA+	-
Junior Lien Water Revenue (3)	Aa2	AAA	-
Rental Car Facility Charge Revenue Bonds (3)	A2	A	-
State of AZ Distribution Revenue Bonds (Convention Center) (3)	Aa2	AA	-
Transit Excise Tax Revenue Bonds (Light Rail) (3)	Aa2	AA	-

- (1) Represents underlying rating.
- (2) Fitch Ratings assigns a single Issuer Default Rating for all General Fund credits. Currently, Fitch does not rate the City's Enterprise or Special Revenue credits. To date, Fitch has only rated the City's Series 2017 General Obligation Bonds, and the Series 2017A, 2017B, and 2017C Subordinated Excise Tax Revenue Bonds.
- (3) Issued by the City of Phoenix Civic Improvement Corporation.
- (4) No bonds outstanding. As long as the Hotel Loan remains outstanding, there are additional requirements that must be met in order to issue Junior Lien Excise Tax Revenue bonds.
- (5) No bonds currently outstanding.

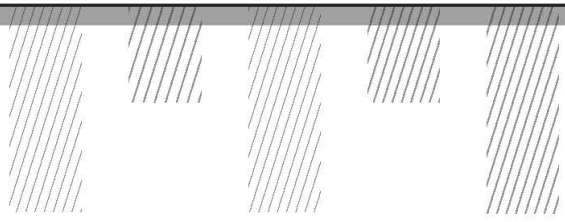


Statistical Section



Financial Trends

These schedules contain trend information to show how the City's financial performance and position have changed over time.





City of Phoenix

City of Phoenix, Arizona
Net Position by Component

Table 1

Last Ten Fiscal Years
 (accrual basis of accounting)
 (in thousands)

	Fiscal Year		
	2017	2016	2015
GOVERNMENTAL ACTIVITIES			
Net Investment in Capital Assets	\$ 2,809,418	\$ 2,788,275	\$ 2,653,697
Restricted	920,847	763,630	830,425
Unrestricted (Deficit) (1)	(2,408,807)	(2,084,298)	(1,691,553)
Total Governmental Activities Net Position	<u>\$ 1,321,458</u>	<u>\$ 1,467,607</u>	<u>\$ 1,792,569</u>
BUSINESS-TYPE ACTIVITIES			
Net Investment in Capital Assets	\$ 2,972,041	\$ 2,803,361	\$ 2,782,282
Restricted	486,857	462,115	441,896
Unrestricted (1)	458,696	489,530	519,802
Total Business-Type Activities Net Position	<u>\$ 3,917,594</u>	<u>\$ 3,755,006</u>	<u>\$ 3,743,980</u>
PRIMARY GOVERNMENT			
Net Investment in Capital Assets	\$ 5,781,459	\$ 5,591,636	\$ 5,435,979
Restricted	1,407,704	1,225,745	1,272,321
Unrestricted (Deficit) (1)	(1,950,111)	(1,594,768)	(1,171,751)
Total Primary Government Net Position	<u>\$ 5,239,052</u>	<u>\$ 5,222,613</u>	<u>\$ 5,536,549</u>

(1) Unrestricted net position decreased starting in fiscal year 2015 due to the implementation of GASB Statement No. 68.

Table 1
(Continued)

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 2,576,366	\$ 2,454,765	\$ 2,313,680	\$ 2,325,050	\$ 2,184,990	\$ 2,441,889	\$ 2,857,041
868,223	930,237	1,233,603	1,017,009	756,315	620,582	832,814
1,002,557	991,572	861,526	1,105,061	1,387,562	1,321,470	532,706
<u>\$ 4,447,146</u>	<u>\$ 4,376,574</u>	<u>\$ 4,408,809</u>	<u>\$ 4,447,120</u>	<u>\$ 4,328,867</u>	<u>\$ 4,383,941</u>	<u>\$ 4,222,561</u>
\$ 2,818,479	\$ 2,826,143	\$ 2,968,536	\$ 2,992,285	\$ 3,146,717	\$ 3,260,962	\$ 3,304,081
363,946	174,160	188,682	187,755	153,667	163,387	153,980
970,844	1,102,763	943,329	882,301	716,343	611,455	717,703
<u>\$ 4,153,269</u>	<u>\$ 4,103,066</u>	<u>\$ 4,100,547</u>	<u>\$ 4,062,341</u>	<u>\$ 4,016,727</u>	<u>\$ 4,035,804</u>	<u>\$ 4,175,764</u>
\$ 5,394,845	\$ 5,280,908	\$ 5,282,216	\$ 5,317,335	\$ 5,331,707	\$ 5,702,851	\$ 6,161,122
1,232,169	1,104,397	1,422,285	1,204,764	909,982	783,969	986,794
1,973,401	2,094,335	1,804,855	1,987,362	2,103,905	1,932,925	1,250,409
<u>\$ 8,600,415</u>	<u>\$ 8,479,640</u>	<u>\$ 8,509,356</u>	<u>\$ 8,509,461</u>	<u>\$ 8,345,594</u>	<u>\$ 8,419,745</u>	<u>\$ 8,398,325</u>

City of Phoenix, Arizona
Changes in Net Position

Table 2

Last Ten Fiscal Years
 (accrual basis of accounting)
 (in thousands)

	Fiscal Year		
	2017	2016	2015
Expenses			
Governmental Activities			
General Government	\$ 98,541	\$ 111,801	\$ 99,320
Criminal Justice	34,045	35,198	34,242
Public Safety	1,347,829	1,025,401	914,215
Transportation	373,455	399,228	398,925
Community Enrichment	276,991	570,183	245,795
Community Development	218,463	200,762	215,931
Environmental Services	32,960	49,050	48,293
Interest on Long-Term Debt	77,073	84,893	83,796
Total Governmental Activities Expenses	<u>2,459,357</u>	<u>2,476,516</u>	<u>2,040,517</u>
Business-Type Activities			
Aviation	496,131	504,304	482,915
Phoenix Convention Center	103,248	107,133	105,458
Water Services	333,706	359,703	336,445
Wastewater Services	177,185	170,440	171,250
Solid Waste	146,910	141,129	150,625
Golf Courses (1)	—	—	—
Total Business-Type Activities Expenses	<u>1,257,180</u>	<u>1,282,709</u>	<u>1,246,693</u>
Total Primary Government Expenses	<u><u>\$ 3,716,537</u></u>	<u><u>\$ 3,759,225</u></u>	<u><u>\$ 3,287,210</u></u>

(1) On March 6, 2013, City Council voted to eliminate the Golf Enterprise Fund. As of July 1, 2013, all activity of the City of Phoenix Municipal Golf program was reported in the governmental funds.

Table 2
(Continued)

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 152,502	\$ 186,104	\$ 88,178	\$ 76,270	\$ 83,975	\$ 92,403	\$ 97,369
34,356	35,409	35,703	36,345	40,029	39,477	40,258
888,801	896,801	850,636	847,244	851,414	869,389	795,839
394,664	407,563	421,680	416,344	541,666	385,240	182,769
252,760	237,856	245,713	245,417	287,019	264,615	278,649
222,266	221,588	218,847	229,902	225,137	210,645	205,934
33,616	33,334	42,326	39,003	58,189	47,320	38,585
93,013	117,667	109,412	95,462	107,480	96,631	103,035
2,071,978	2,136,322	2,012,495	1,985,987	2,194,909	2,005,720	1,742,438
471,744	464,388	435,675	439,911	393,485	389,460	336,572
105,889	103,472	103,420	127,569	114,071	86,942	70,170
342,584	335,004	361,751	329,457	359,342	326,775	327,544
181,329	191,568	178,258	179,466	187,134	186,565	160,008
134,264	133,295	133,414	133,118	136,395	141,693	147,096
—	9,876	8,879	8,790	8,894	9,716	9,572
1,235,810	1,237,603	1,221,397	1,218,311	1,199,321	1,141,151	1,050,962
\$ 3,307,788	\$ 3,373,925	\$ 3,233,892	\$ 3,204,298	\$ 3,394,230	\$ 3,146,871	\$ 2,793,400

City of Phoenix, Arizona
Changes in Net Position

Table 2
(Continued)

Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year		
	2017	2016	2015
Program Revenue			
Governmental Activities			
Charges for Services:			
General Government	\$ 19,784	\$ 18,387	\$ 18,159
Criminal Justice	14,583	15,813	18,336
Public Safety	69,671	68,167	71,381
Transportation	35,083	36,331	37,907
Community Enrichment	9,708	11,016	10,737
Community Development	74,490	68,396	58,599
Environmental Services	22	134	478
Operating Grants and Contributions	396,866	355,750	361,919
Capital Grants and Contributions	96,058	94,379	82,285
Total Governmental Activities Program Revenue	716,265	668,373	659,801
Business-Type Activities			
Charges for Services:			
Aviation	403,766	380,533	385,806
Phoenix Convention Center	40,568	42,840	42,759
Water Services	398,263	378,378	358,760
Wastewater Services	198,945	193,727	185,974
Solid Waste	150,346	146,799	147,536
Golf Courses (1)	—	—	—
Capital Grants and Contributions	204,212	138,162	144,654
Total Business-Type Activities Program Revenue	1,396,100	1,280,439	1,265,489
Total Primary Government Program Revenue	\$ 2,112,365	\$ 1,948,812	\$ 1,925,290
Net (Expense)/Revenue			
Governmental Activities	\$ (1,743,092)	\$ (1,808,143)	\$ (1,380,716)
Business-Type Activities	138,920	(2,270)	18,796
Total Primary Government Net Expense	\$ (1,604,172)	\$ (1,810,413)	\$ (1,361,920)

Table 2
(Continued)

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 16,272	\$ 15,748	\$ 16,469	\$ 17,675	\$ 17,150	\$ 19,360	\$ 15,672
20,337	21,737	24,864	27,623	27,461	29,808	21,746
71,913	69,648	72,081	63,842	58,939	56,763	54,702
38,780	36,125	38,035	36,599	39,804	63,758	31,004
13,740	5,071	5,589	5,392	5,180	6,366	4,969
64,893	60,837	49,618	46,128	38,293	62,845	67,733
505	232	520	220	363	469	838
343,898	393,652	358,692	400,525	360,927	340,756	368,938
150,410	98,647	101,019	191,856	203,473	174,302	216,788
720,748	701,697	666,887	789,860	751,590	754,427	782,390
369,157	305,686	299,783	296,463	266,778	273,079	286,986
36,864	24,218	15,888	33,111	21,636	28,407	12,080
385,294	381,862	380,679	341,501	329,003	307,752	299,568
186,350	190,519	212,361	211,702	190,716	181,764	173,021
145,790	144,055	144,004	142,320	137,956	134,957	133,170
—	8,401	6,653	6,278	5,728	6,183	7,229
130,975	158,314	173,149	184,019	200,485	178,800	300,575
1,254,430	1,213,055	1,232,517	1,215,394	1,152,302	1,110,942	1,212,629
\$ 1,975,178	\$ 1,914,752	\$ 1,899,404	\$ 2,005,254	\$ 1,903,892	\$ 1,865,369	\$ 1,995,019
\$ (1,351,230)	\$ (1,434,625)	\$ (1,345,608)	\$ (1,196,127)	\$ (1,443,319)	\$ (1,251,293)	\$ (960,048)
18,620	(24,548)	11,120	(2,917)	(47,019)	(30,209)	161,667
\$ (1,332,610)	\$ (1,459,173)	\$ (1,334,488)	\$ (1,199,044)	\$ (1,490,338)	\$ (1,281,502)	\$ (798,381)

City of Phoenix, Arizona
Changes in Net Position

Table 2
(Continued)

Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year		
	2017	2016	2015
General Revenues and Other Changes in Net Position			
Governmental Activities			
Taxes	\$ 1,116,831	\$ 1,009,824	\$ 955,091
Grants and Contributions Not Restricted	406,084	376,017	376,923
Investment Earnings, Net	6,355	11,932	7,419
Miscellaneous	85,994	82,607	82,321
Transfers - Internal Activities	(18,321)	(24,631)	(25,080)
Total Governmental Activities	1,596,943	1,455,749	1,396,674
Business-Type Activities			
Investment Earnings, Net	5,347	16,097	9,864
Transfers	18,321	24,631	25,080
Total Business-Type Activities	23,668	40,728	34,944
Total Primary Government	1,620,611	1,496,477	1,431,618
Change in Net Position (Deficit)			
Governmental Activities	(146,149)	(352,394)	15,958
Business-Type Activities	162,588	38,458	53,740
Total Primary Government	\$ 16,439	\$ (313,936)	\$ 69,698

Table 2
(Continued)

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 1,001,017	\$ 1,029,392	\$ 944,388	\$ 970,925	\$ 939,218	\$ 982,746	\$ 1,014,103
349,149	318,673	297,342	299,593	360,241	407,156	410,945
22,572	2,404	6,671	11,924	19,605	43,558	91,304
69,860	77,337	78,397	71,450	83,357	54,527	51,757
(22,653)	(25,416)	(19,501)	(39,512)	(14,176)	(52,649)	(52,010)
1,419,945	1,402,390	1,307,297	1,314,380	1,388,245	1,435,338	1,516,099
10,787	1,651	7,585	9,019	13,766	31,970	52,024
22,653	25,416	19,501	39,512	14,176	52,649	52,010
33,440	27,067	27,086	48,531	27,942	84,619	104,034
1,453,385	1,429,457	1,334,383	1,362,911	1,416,187	1,519,957	1,620,133
68,715	(32,235)	(38,311)	118,253	(55,074)	184,045	556,051
52,060	2,519	38,206	45,614	(19,077)	54,410	265,701
\$ 120,775	\$ (29,716)	\$ (105)	\$ 163,867	\$ (74,151)	\$ 238,455	\$ 821,752

City of Phoenix, Arizona
Fund Balances of Governmental Funds

Table 3

Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2017	2016	2015	2014
General Fund				
Reserved				
Unreserved				
Non-Spendable	\$ 13,706	\$ 13,498	\$ 14,224	\$ 14,198
Spendable				
Restricted	49,024	62,047	61,564	61,309
Assigned	51,510	48,715	41,338	46,181
Unassigned	241,712	227,227	210,286	178,563
Total General Fund	355,952	351,487	327,412	300,251
All Other Governmental Funds				
Reserved				
Unreserved, reported in				
Special Revenue Funds				
Capital Project Funds				
Debt Service Funds				
Non-Spendable	5,235	5,386	5,394	5,945
Spendable				
Restricted	871,823	701,583	768,861	823,478
Committed	55,304	38,803	27,005	36,491
Assigned	153,146	141,007	132,902	128,261
Unassigned	(15,581)	(11,117)	(33,082)	(57,039)
Total All Other Governmental Funds	1,069,927	875,662	901,080	937,136
Total Fund Balances of Governmental Funds	\$ 1,425,879	\$ 1,227,149	\$ 1,228,492	\$ 1,237,387

- (1) In fiscal year 2011, the City implemented GASB 54 which changed the reporting for Governmental Fund Balances. The table reflects the new reporting for fiscal years after 2010.
- (2) Effective July 1, 2009 a General Fund debt service reserve was closed as part of the City's budget balancing efforts. As of June 30, 2009, the reserve amount was \$45,308,000.

Table 3
(Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
			\$ 24,394	\$ 72,332	\$ 83,379
			231,187	190,278	205,286
\$ 15,736	15,357	16,671			
40,361	37,913	—			
55,390	50,250	96,126			
161,012	200,892	194,918			
272,499	304,412	307,715 (1)	255,581	262,610 (2)	288,665
			656,396	598,258	562,967
			379,913	411,659	482,721
			149,795	8,456	223,916
			886	2,153	742
5,601	5,891	6,099			
889,876	982,955	1,017,009			
47,874	58,703	54,591			
139,593	140,036	120,145			
(56,671)	(36,942)	(34,395)			
1,026,273	1,150,643	1,163,449	1,186,990	1,020,526	1,270,346
\$ 1,298,772	\$ 1,455,055	\$ 1,471,164	\$ 1,442,571	\$ 1,283,136	\$ 1,559,011

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

Table 4

Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
City Taxes (see Table 5)	\$ 1,116,077	\$ 1,009,918	\$ 955,818	\$ 1,001,873
Licenses and Permits	19,275	18,209	17,602	15,860
Intergovernmental (see Table 6)	885,972	814,134	821,127	850,231
Charges for Services	183,619	173,372	169,276	178,290
Fines and Forfeitures	11,285	12,106	14,222	15,340
Parks and Recreation	1,865	6,919	7,393	10,316
Special Assessments	14	13	29	39
Investment Income	6,355	11,932	7,419	22,572
Dwelling Rentals	7,825	7,077	7,104	6,658
Other	86,022	82,546	82,604	70,170
Total Revenues	2,318,309	2,136,226	2,082,594	2,171,349
Expenditures				
General Government	71,173	78,973	78,182	133,854
Criminal Justice	33,884	32,406	32,403	34,223
Public Safety	897,590	858,297	826,488	830,599
Transportation	266,745	253,265	263,509	253,517
Community Enrichment	216,310	505,522	194,428	197,960
Community Development	193,900	175,956	189,580	201,812
Environmental Services	12,839	12,002	16,853	13,987
Debt Service:				
Principal	149,208	130,974	116,008	70,768
Interest	89,040	95,401	94,163	98,897
Bond Issuance Costs	2,326	491	470	3,187
Other	1,207	1,225	29	25
Capital	303,398	274,864	254,647	365,887
Total Expenditures	2,237,620	2,419,376	2,066,760	2,204,716
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,689	\$ (283,150)	\$ 15,834	\$ (33,367)

Table 4
(Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,031,123	\$ 947,012	\$ 972,066	\$ 938,470	\$ 980,401	\$ 1,012,645
15,377	16,039	16,307	16,744	18,926	14,949
809,198	757,053	905,741	921,642	912,904	995,307
169,527	163,408	157,243	148,276	148,316	151,701
15,942	18,332	18,129	17,383	18,861	18,549
1,891	2,414	2,326	1,909	3,004	2,933
35	55	114	70	372	643
2,404	6,671	11,922	19,605	43,558	91,304
6,882	6,987	6,858	8,574	9,806	8,452
79,557	76,173	71,304	84,011	54,553	51,692
2,131,936	1,994,144	2,162,010	2,156,684	2,190,701	2,348,175
170,009	69,705	55,708	57,180	69,860	68,686
35,258	35,372	35,106	36,977	37,717	38,539
832,133	795,995	790,886	812,552	812,788	765,464
252,812	252,965	247,563	265,934	254,420	237,738
189,899	193,355	192,201	198,049	211,851	226,597
202,038	196,309	206,262	185,265	189,345	189,748
16,549	19,036	16,353	19,164	24,029	24,432
90,671	94,169	109,660	115,825	97,006	95,209
122,189	110,740	104,309	110,736	103,909	110,184
79	1,902	636	2,346	2,055	31
422	522	676	35	31	211
350,744	346,979	429,770	529,394	611,023	841,681
2,262,803	2,117,049	2,189,130	2,333,457	2,414,034	2,598,520
\$ (130,867)	\$ (122,905)	\$ (27,120)	\$ (176,773)	\$ (223,333)	\$ (250,345)

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

Table 4
(Continued)

Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2017	2016	2015	2014
Other Financing Sources (Uses)				
Transfers From Other Funds	\$ 166,530	\$ 160,614	\$ 123,046	\$ 122,091
Transfers to Other Funds	(184,851)	(185,245)	(148,126)	(144,744)
Issuance of Debt:				
General Obligation and Revenue Bonds	—	—	—	—
Premium on General Obligation and Revenue Bonds	67,930	—	—	28,544
Certificates of Participation and Municipal Corporation Obligations	116,835	—	—	—
Premium on Certificates of Participation and Municipal Corporation Obligations	28,978	—	10	39,826
Special Assessment Bonds	—	—	—	—
Refunding Bonds	362,585	—	60,945	591,600
Proceeds from Refinancing	—	306,438	—	—
Deposit to Refunding Escrow	(439,966)	—	(60,604)	(656,414)
Total Other Financing Sources and Uses	118,041	281,807	(24,729)	(19,097)
Net Change in Fund Balances	<u>\$ 198,730</u>	<u>\$ (1,343)</u>	<u>\$ (8,895)</u>	<u>\$ (52,464)</u>
Debt Service as a Percentage of Noncapital Expenditures (1)	11.8%	10.1%	11.4%	8.8%

(1) Calculated by taking debt service expenditures divided by total expenditures minus capitalized expenditures (capital acquisitions from exhibit B-4 on page 25)

Table 4
(Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 136,971	\$ 129,121	\$ 152,527	\$ 1,063,679	\$ 1,098,048	\$ 1,186,183
(162,387)	(148,622)	(192,039)	(1,077,855)	(1,150,697)	(1,238,193)
—	120,000	—	348,369	—	—
—	25,880	—	1,631	—	—
—	—	86,725	—	—	—
—	4,889	5,662	—	—	—
—	—	—	—	22	—
—	238,120	74,610	69,911	—	—
—	—	—	—	—	—
—	(262,592)	(71,772)	(69,527)	—	—
(25,416)	106,796	55,713	336,208	(52,627)	(52,010)
\$ (156,283)	\$ (16,109)	\$ 28,593	\$ 159,435	\$ (275,960)	\$ (302,355)
10.5%	10.7%	11.4%	10.4%	10%	10.4%

City of Phoenix, Arizona
Tax Revenues by Source - Governmental Funds (1)

Table 5

Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2017	2016	2015	2014
General Property Taxes				
Primary - Operating	\$ 146,121	\$ 141,310	\$ 138,242	\$ 143,931
Secondary - Debt Service	91,021	50,484	49,567	35,204
Total General Property Taxes	237,142	191,794	187,809	179,135
City Sales and Franchise Taxes				
General Government Purposes:				
Privilege License Tax and Fees	355,904	351,148	324,006	326,459
Utility and Franchise Tax	90,780	90,845	107,386	98,870
Earmarked for:				
Sports Facilities	18,435	17,874	17,062	15,988
Convention Center	49,051	46,501	46,402	44,311
Neighborhood Protection	30,172	28,706	29,881	29,153
Public Safety Enhancement	25,238	25,391	25,068	24,849
Public Safety Expansion	60,167	57,350	59,760	58,308
Parks & Preserves	30,173	28,705	29,882	29,153
Capital Construction	11,064	12,875	14,281	15,087
Transit	203,201	154,628	110,347	111,068
Total City Sales and Franchise Taxes	874,185	814,023	764,075	753,246
Access to Care Tax	—	—	31	65,621
Special Taxing District	2,735	2,438	2,308	2,240
Salt River Project In-Lieu Taxes	2,015	1,663	1,595	1,631
Total City Taxes	<u>\$ 1,116,077</u>	<u>\$ 1,009,918</u>	<u>\$ 955,818</u>	<u>\$ 1,001,873</u>

(1) Includes general, special revenue and debt service funds.

Table 5
(Continued)

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ 132,101	\$ 128,054	\$ 130,913	\$ 121,366	\$ 110,085	\$ 103,033	
62,012	94,436	149,018	196,673	196,568	161,413	
194,113	222,490	279,931	318,039	306,653	264,446	
318,751	308,727	292,131	254,762	265,162	323,135	
99,027	104,962	102,662	100,827	105,881	96,323	
14,893	14,670	14,076	12,502	14,203	16,010	
40,828	40,030	37,835	34,801	47,417	58,126	
27,515	26,503	25,387	21,615	25,615	28,980	
24,648	23,670	23,782	23,978	24,361	24,653	
55,029	53,084	50,680	43,131	46,578	32,214	
27,515	26,546	25,345	21,615	24,335	28,979	
16,382	16,560	15,486	17,415	19,802	20,710	
110,059	106,185	101,379	86,465	97,325	115,914	
734,647	720,937	688,763	617,111	670,679	745,044	
98,431	—	—	—	—	—	
2,291	2,061	1,924	1,925	1,835	1,848	
1,641	1,524	1,448	1,395	1,234	1,307	
\$ 1,031,123	\$ 947,012	\$ 972,066	\$ 938,470	\$ 980,401	\$ 1,012,645	

City of Phoenix, Arizona

Table 6

Intergovernmental Revenues by Source - Governmental Funds (1)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year			
	2017	2016	2015	2014
State Shared Revenue				
Highway User Tax	\$ 126,058	\$ 111,748	\$ 102,009	\$ 98,804
State Sales Tax	143,975	132,218	127,005	118,730
State Income Tax	191,225	175,184	161,580	147,668
Vehicle License Tax	61,586	55,293	51,689	48,370
Local Transportation Assistance	4,242	4,334	4,265	4,251
Total State Shared Revenue	527,086	478,777	446,548	417,823
Federal Grants	250,217	234,616	236,169	277,236
Other Intergovernmental Revenue	108,669	107,734	167,514	114,139
Total Intergovernmental Revenues	<u>\$ 885,972</u>	<u>\$ 821,127</u>	<u>\$ 850,231</u>	<u>\$ 809,198</u>

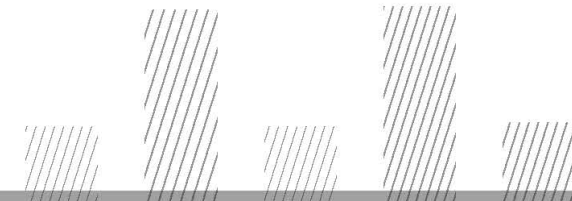
(1) Includes general, special revenue and capital projects funds.

Table 6
(Continued)

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ 90,368	\$ 104,908	\$ 103,979	\$ 109,620	\$ 125,288	\$ 130,223	
114,017	111,787	106,917	122,593	135,134	141,466	
122,012	143,647	190,546	220,806	207,694	167,560	
46,400	48,299	49,500	53,629	59,244	61,158	
4,242	1,265	3,771	6,506	6,910	6,969	
377,039	409,906	454,713	513,154	534,270	507,376	
261,053	269,482	233,721	185,078	194,960	186,665	
118,961	226,353	233,208	214,672	266,077	191,437	
\$ 757,053	\$ 905,741	\$ 921,642	\$ 912,904	\$ 995,307	\$ 885,478	



City of Phoenix

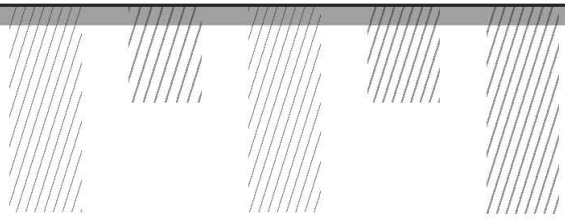


Statistical Section



Revenue Capacity

These schedules present information on the City's sales tax and property tax collections.





City of Phoenix

City of Phoenix, Arizona
City Transaction Privilege Taxes by Category

Table 7

Last Ten Fiscal Years
(in thousands)

Category	Fiscal Year			
	2017	2016	2015	2014
Retail (2)	\$ 325,641	\$ 300,177	\$ 267,260	\$ 251,514
Retail Food Sales (1)	15	409	24,792	43,831
Utilities & Telecommunications	100,131	109,107	109,857	111,767
Construction Contracting (2)	49,117	43,201	45,279	49,506
Commercial Rental	70,001	63,945	58,919	58,007
Restaurants & Bars	76,848	71,828	63,645	59,039
Hotel/Motel Lodging	43,262	42,611	39,501	34,403
Tangible Personal Property Rental	27,165	21,334	19,406	17,463
Apartment/Residential Rental	39,310	37,451	32,589	30,046
Motor Vehicle Rental	16,109	19,751	18,618	18,186
Amusements	8,595	7,861	7,065	6,925
Advertising	2,110	2,312	2,689	2,458
Job Printing	2,207	2,136	2,171	2,035
Publishing	565	554	523	519
Transportation	8	5	7	8
Use Tax (2)	35,449	31,089	32,071	30,755
Jet Fuel	3,092	2,971	3,105	2,937
Total	\$ 799,625	\$ 756,742	\$ 727,497	\$ 719,399

Source: City of Phoenix Finance Department, Tax Division

(1) Effective April 1, 2015, the Phoenix City Council approved an ordinance to amend the City of Phoenix Tax Code providing for the taxation of the sale of food for home consumption under the retail and use tax business classifications. The tax rate was reduced to 0% from 1%.

(2) Effective January 1, 2016, the City of Phoenix implemented a multi-level tax rate which will impact the following categories: Retail, Use Tax (Level 1 at 2.30% for first amount equal to or less than \$10,000 for a single item. Level 2 at 2.00% for amounts greater than \$10,000 for a single item) and Construction Contracting (Contracts accepted January 1, 2016 to current at 2.30%. Pre-2016 contracts at 2.00%).

Table 7
(Continued)

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ 238,698	\$ 230,900	\$ 218,470	\$ 219,097	\$ 223,673	\$ 254,949	
51,589	49,393	46,282	7,007	—	—	
113,839	112,973	110,200	113,188	120,691	118,051	
43,851	44,071	43,446	41,237	64,559	87,306	
60,179	58,721	59,017	55,737	60,133	56,395	
55,350	52,298	48,708	46,272	48,586	49,685	
31,666	30,486	28,324	26,868	30,423	35,643	
19,760	16,354	17,291	17,323	22,227	23,276	
27,144	25,025	22,923	20,788	21,580	21,566	
17,148	16,907	16,647	14,787	15,407	17,103	
6,463	6,225	5,843	6,297	6,348	7,210	
2,655	2,800	2,745	2,733	3,202	4,111	
2,212	2,109	2,093	2,101	2,708	3,146	
365	140	241	407	426	531	
8	6	8	8	10	7	
23,927	24,204	22,536	20,098	19,507	20,037	
3,089	2,996	3,039	2,826	2,998	3,224	
\$ 697,943	\$ 675,608	\$ 647,813	\$ 596,774	\$ 642,478	\$ 702,240	

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

Table 8

Category (1)	As of June 30			
	2017	2016	2015	2014
City Rates				
Retail (3)	2.30/2.00%	2.30/2.00%	2.00%	2.00%
Utilities	2.70	2.70	2.70	2.70
Telecommunications	4.70	4.70	4.70	4.70
Construction Contracting (3)	2.30/2.00	2.30/2.00	2.00	2.00
Commercial Rental	2.40	2.40	2.10	2.10
Restaurants & Bars	2.30	2.30	2.00	2.00
Hotel/Motel Lodging	5.30	5.30	5.00	5.00
Tangible Personal Property Rental	2.30	2.30	2.00	2.00
Apartment/Residential Rental	2.30	2.30	2.00	2.00
Motor Vehicle Rental	4.30	4.30	4.00	4.00
Amusements	2.30	2.30	2.00	2.00
Advertising	0.50	0.50	0.50	0.50
Job Printing	2.30	2.30	2.00	2.00
Mining	0.10	0.10	—	—
Timbering/Extractions	2.30	2.30	—	—
Publishing	2.30	2.30	2.00	2.00
Transportation	2.30	2.30	2.00	2.00
Use Tax (3)	2.30/2.00	2.30/2.00	2.00	2.00
Jet Fuel (2)	0.73	0.73	0.73	0.73
County Rates				
Commercial Rental	0.50%	0.50%	0.50%	0.50%
Hotel/Motel Lodging	1.77	1.77	1.77	1.77
All Others	0.70	0.70	0.70	0.70
Mining/Timbering/Extractions	0.44	0.44	—	—
Jet Fuel (2)	0.31	0.31	0.31	0.31

(1) Excludes State Rates.

(2) Rate shown as cents per gallon.

(3) Effective January 1, 2016, the City of Phoenix implemented a multi-level tax rate which will impact the following categories: Retail, Use Tax (Level 1 at 2.30% for first amount equal to or less than \$10,000 for a single item. Level 2 at 2.00% for amounts greater than \$10,000 for a single item) and Construction Contracting (Contracts accepted January 1, 2016 to current at 2.30%. Pre-2016 contracts at 2.00%).

Source: City of Phoenix Finance Department, Tax Division

Table 8
(Continued)

As of June 30					
2013	2012	2011	2010	2009	2008
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2.70	2.70	2.70	2.70	2.70	2.70
4.70	4.70	4.70	4.70	4.70	4.70
2.00	2.00	2.00	2.00	2.00	2.00
2.10	2.10	2.10	2.10	2.10	2.10
2.00	2.00	2.00	2.00	2.00	2.00
5.00	5.00	5.00	5.00	5.00	5.00
2.00	2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00	4.00
2.00	2.00	2.00	2.00	2.00	2.00
0.50	0.50	0.50	0.50	0.50	0.50
2.00	2.00	2.00	2.00	2.00	2.00
—	—	—	—	—	—
—	—	—	—	—	—
2.00	2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
0.73	0.73	0.73	0.73	0.73	0.73
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
1.77	1.77	1.77	1.77	1.77	1.77
0.70	0.70	0.70	0.70	0.70	0.70
—	—	—	—	—	—
0.31	0.31	0.31	0.31	0.31	0.31

City of Phoenix, Arizona
City Transaction Privilege Taxpayers - By Category
 Current Fiscal Year and Nine Years Ago

Table 9

Category	2017			
	Average Monthly Taxpayers	Percentage of Total Payers	Sales Tax Paid (thousands)	Percentage of Total Sales Tax
Retail	35,436	23.88%	\$ 325,655	40.73%
Utilities & Telecommunications	916	0.62	100,131	12.52
Construction Contracting	8,757	5.90	49,117	6.14
Mining, Timbering, Extraction	25	0.02	—	—
Commercial Rental	22,277	15.01	70,001	8.75
Restaurants & Bars	4,935	3.32	76,848	9.61
Hotel/Motel Lodging	1,060	0.71	43,262	5.41
Tangible Personal Property Rental	3,345	2.25	27,165	3.40
Apartment/Residential Rental	31,809	21.43	39,310	4.92
Motor Vehicle Rental	252	0.17	16,109	2.01
Amusements	722	0.49	8,596	1.08
Advertising	395	0.27	2,110	0.26
Job Printing	597	0.40	2,207	0.28
Publishing	154	0.10	565	0.07
Transportation	88	0.06	8	—
Use Tax	37,614	25.34	35,449	4.43
Jet Fuel	50	0.03	3,092	0.39
Total	148,432	100.00%	\$ 799,625	100.00%

Source: City of Phoenix Finance Department, Tax Division

Table 9
(Continued)

2008			
Average Monthly Taxpayers	Percentage of Total Payers	Sales Tax Paid (thousands)	Percentage of Total Sales Tax
20,451	38.73%	\$ 254,949	36.30%
573	1.09	118,051	16.80
10,654	20.17	87,306	12.43
—	—	—	—
7,187	13.61	56,395	8.03
2,923	5.53	49,685	7.08
238	0.45	35,643	5.08
1,555	2.94	23,276	3.31
4,115	7.79	21,566	3.07
41	0.08	17,103	2.44
408	0.77	7,210	1.03
197	0.37	4,111	0.59
392	0.74	3,146	0.45
83	0.16	531	0.08
10	0.02	7	—
3,948	7.48	20,037	2.85
35	0.07	3,224	0.46
<u>52,810</u>	<u>100.00%</u>	<u>\$ 702,240</u>	<u>100.00%</u>



City of Phoenix

City of Phoenix, Arizona
City Property Tax Levies and Collections

Table 10

Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended June 30,	Collected within the Fiscal Year of the Levy				Total Collections to Date			
	Tax Levy	Amount	% of Levy	Collections In Subsequent Years (1)	Amount	% of Levy		
2017	\$ 238,313	\$ 235,000	98.61%	\$ —	\$ 235,000	98.61%		
2016	192,502	189,460	98.42	2,523	191,983	99.73		
2015	189,852	185,764	97.85	2,161	187,925	98.99		
2014	180,295	176,226	97.74	2,722	178,948	99.25		
2013	196,891	191,304	97.16	3,184	194,488	98.78		
2012	223,483	216,456	96.86	3,796	220,252	98.55		
2011	284,142	271,156	95.43	6,249	277,405	97.63		
2010	321,817	308,114	95.74	10,272	318,386	98.93		
2009	311,292	298,351	95.84	9,626	307,977	98.94		
2008	266,892	258,971	97.03	7,248	266,219	99.75		

(1) Amount is the difference between collections to date (from County reports) and the amount collected in the year of the levy.

Source: Maricopa County, Arizona Treasurer's Office

City of Phoenix, Arizona
Property Tax Rates and Levies - Direct and
Overlapping Governments

Table 11

Last Ten Fiscal Years
(in thousands)

	City of Phoenix			Maricopa County	Flood Control	Central Arizona Water Conservation District	Maricopa County Library District	
	Primary	Secondary	Total					
Tax Rates per \$100 of Limited Net Assessed Valuation (1)								
2017-18	\$ 1.34	\$ 0.82	\$ 2.16	\$ 1.40	\$ 0.18	\$ 0.14	\$ 0.06	
2016-17	1.34	0.83	2.17	1.40	0.18	0.14	0.06	
2015-16	1.34	0.48	1.82	1.36	0.16	0.14	0.06	
2014-15	1.35	0.47	1.82	1.32	0.14	0.14	0.06	
2013-14	1.47	0.35	1.82	1.28	0.14	0.14	0.04	
2012-13	1.24	0.58	1.82	1.24	0.18	0.10	0.05	
2011-12	1.05	0.77	1.82	1.24	0.18	0.10	0.05	
2010-11	0.88	0.94	1.82	1.05	0.15	0.10	0.04	
2009-10	0.77	1.05	1.82	0.99	0.14	0.10	0.04	
2008-09	0.76	1.06	1.82	1.03	0.14	0.10	0.04	
Tax Levies (1)								
2017-18	\$ 156,586	\$ 96,596	\$ 253,182	\$ 164,205	\$ 19,058	\$ 16,402	\$ 6,517	
2016-17	146,711	91,602	238,313	153,849	17,767	15,401	6,106	
2015-16	141,880	50,622	192,502	143,943	15,126	14,866	5,881	
2014-15	139,448	50,404	189,852	136,029	13,465	15,135	6,015	
2013-14	145,024	35,271	180,295	126,659	12,331	13,969	4,369	
2012-13	133,930	62,961	196,891	134,037	17,216	10,870	5,338	
2011-12	128,955	94,528	223,483	151,768	19,873	12,351	6,073	
2010-11	133,389	150,753	284,142	158,698	22,041	16,066	6,636	
2009-10	123,095	198,722	321,817	159,155	24,395	18,903	6,658	
2008-09	111,568	199,724	311,292	151,441	24,151	18,860	6,656	

- (1) Beginning in fiscal year 2016 (tax year 2015), primary and secondary levies are based in a single valuation, the Limited Net Assessed Valuation. See Note 4 to the financial statements. Fiscal years prior to 2016 use either the Primary Net Assessed Valuation or the Secondary Net Assessed Valuation, as applicable.
- (2) Tax rates between the various elementary and high school districts within the City vary. The rates shown on this table are for Phoenix Elementary District No. 1 and Phoenix Union High School District. Tax levies for elementary and high school districts equal the total levy of all overlapping school districts within the City.

Source: Maricopa County Finance Department

Table 11
(Continued)

Volunteer Fire District Assistance	Maricopa Special Health Care District	Education Equalization	School Districts				Total
			Community College	East Valley Inst. of Technology	West Maricopa Education Center	Elementary and High School (2)	
\$ 0.01	\$ 0.29	\$ 0.49	\$ 1.41	\$ 0.05	\$ 0.18	\$ 12.03	\$ 18.40
0.01	0.31	0.5	1.47	0.05	0.08	12.29	18.66
0.01	0.30	0.51	1.49	0.05	0.07	12.15	18.12
0.01	0.19	0.51	1.52	0.05	0.08	11.34	17.18
0.01	0.19	0.51	1.53	0.05	0.06	12.13	17.90
0.01	0.17	0.47	1.38	0.05	0.05	11.28	16.80
0.01	0.15	0.43	1.21	0.05	0.05	9.60	14.89
0.01	0.11	0.36	0.97	0.05	0.05	7.29	12.00
0.01	0.09	0.33	0.88	0.05	0.05	6.44	10.94
0.01	0.09	—	0.94	0.05	0.05	8.52	12.79
\$ 1,196	\$ 33,418	\$ 57,113	\$ 165,225	\$ 844	\$ 9,568	\$ 995,271	\$ 1,721,999
1,230	33,529	55,113	160,899	800	4,267	957,588	1,644,862
1,227	31,953	53,456	158,021	767	3,402	914,751	1,535,895
1,223	20,079	52,407	157,628	774	4,019	877,269	1,473,895
1,207	19,341	50,665	151,917	706	2,686	854,993	1,419,138
1,193	18,260	50,960	148,952	757	2,433	869,478	1,456,385
1,037	18,442	52,098	148,011	870	2,710	879,125	1,515,841
1,063	18,056	53,826	148,702	1,087	3,540	916,921	1,630,778
1,077	17,239	53,100	146,523	1,233	4,232	942,643	1,696,975
1,000	16,141	—	144,491	1,259	4,263	924,118	1,603,672

**Property Tax Levies
Applicable to Phoenix Property Owners**

(in thousands)

	2017-18 Levies							
	Limited Net Assessed Valuation (1)			Primary Tax Rate Per \$100	Total Phoenix Primary Tax Levy	Secondary Tax Rate Per \$100	Total Phoenix Secondary Tax Levy	Total Phoenix Tax Levy
	Total	Percent	Amount					
City of Phoenix	\$ 11,721,385	100.00%	\$11,721,385	\$ 1.3359	\$ 156,586	\$ 0.8241	\$ 96,596	\$ 253,182
Maricopa County	38,251,891	30.64	11,721,385	1.4009	164,205	—	—	164,205
Education Equalization	38,236,098	30.64	11,715,540	0.4875	57,113	—	—	57,113
Flood Control	34,709,159	30.64	10,634,886	—	—	0.1792	19,058	19,058
Central Arizona Water Conservation District	38,236,246	30.64	11,715,586	—	—	0.1400	16,402	16,402
Maricopa County Library District	38,251,891	30.64	11,721,385	—	—	0.0556	6,517	6,517
Volunteer Fire District Assistance	38,251,891	30.64	11,721,385	—	—	0.0102	1,196	1,196
East Valley Institute of Technology	16,979,449	9.94	1,687,379	—	—	0.0500	844	844
West Maricopa Education Center	14,005,834	38.38	5,375,312	—	—	0.1780	9,568	9,568
Maricopa Special Health Care District	38,236,246	30.66	11,721,385	—	—	0.2851	33,418	33,418
State of Arizona	59,404,008	19.73	11,721,385	—	—	—	—	—
<u>School Districts</u>								
Maricopa County Community College District	38,251,891	30.64	11,721,385	1.1956	140,141	0.2140	25,084	165,225
<u>High School Districts</u>								
Phoenix Union	4,671,186	96.32	4,499,319	3.4240	154,057	1.6092	72,403	226,460
Glendale Union	1,475,889	79.67	1,175,848	2.5886	30,438	2.0159	23,704	54,142
Tempe Union	3,339,653	29.86	997,250	2.0559	20,502	0.5962	5,946	26,448
Tolleson Union	1,063,694	47.80	508,429	2.1647	11,006	1.7730	9,014	20,020
Agua Fria Union	1,102,200	0.02	178	2.4592	4	1.2553	2	6
Total High School Districts								327,076
<u>Elementary School Districts</u>								
No. 1 Phoenix	663,935	100.00	663,935	4.2675	28,333	2.7304	18,128	46,461
No. 2 Riverside	354,005	97.72	345,917	1.4329	4,957	2.3956	8,287	13,244
No. 3 Tempe	1,383,216	13.98	193,313	2.9552	5,713	2.0946	4,049	9,762
No. 5 Isaac	126,494	100.00	126,494	6.4029	8,099	3.9893	5,046	13,145
No. 6 Washington	1,206,762	97.44	1,175,848	2.5699	30,218	2.6422	31,068	61,286
No. 7 Wilson	107,814	100.00	107,814	4.1670	4,493	1.5217	1,641	6,134
No. 8 Osborn	398,648	99.93	398,385	2.1232	8,459	1.7078	6,804	15,263
No. 14 Creighton	402,277	86.17	346,628	2.4075	8,345	3.4760	12,049	20,394
No. 17 Tolleson	171,718	19.44	33,389	2.1211	708	2.3457	783	1,491
No. 21 Murphy	96,862	100.00	96,861	2.3616	2,287	2.6867	2,602	4,889
No. 28 Kyrene	1,956,437	41.09	803,937	2.0949	16,842	1.8817	15,128	31,970
No. 31 Balsz	293,353	93.96	275,641	2.1609	5,956	1.8757	5,170	11,126
No. 38 Madison	930,449	100.00	930,449	2.0914	19,459	2.3868	22,208	41,667
No. 45 Fowler	296,229	88.39	261,833	2.0705	5,421	2.0332	5,324	10,745
No. 48 Scottsdale (Unified)	4,998,096	13.81	690,129	2.7463	18,953	0.9864	6,807	25,760
No. 59 Laveen	205,407	84.88	174,341	2.5600	4,463	5.4837	9,560	14,023
No. 62 Union	65,189	93.52	60,963	2.1964	1,339	2.5533	1,557	2,896
No. 65 Littleton	231,909	16.31	37,834	2.4245	917	3.4563	1,308	2,225
No. 66 Roosevelt	553,169	98.81	546,580	4.3869	23,978	3.1387	17,156	41,134
No. 68 Alhambra	320,889	83.64	268,389	2.8482	7,644	4.3343	11,633	19,277
No. 69 Paradise Valley (Unified)	3,256,423	69.80	2,273,003	4.1427	94,164	2.4122	54,829	148,993
No. 79 Litchfield	756,560	0.02	178	2.0354	4	1.4409	3	7
No. 83 Cartwright	217,885	100.00	217,885	4.3281	9,430	6.7181	14,638	24,068
No. 92 Pendergast	298,649	38.31	114,410	2.2582	2,584	4.5963	5,259	7,843
No. 93 Cave Creek (Unified)	1,879,867	13.01	244,649	1.6484	4,033	0.1606	393	4,426
No. 97 Deer Valley (Unified)	2,440,361	54.59	1,332,155	4.2812	57,032	2.4722	32,934	89,966
Total Elementary School Districts								668,195
Total All School Districts								1,160,496
Total Levies Applicable to Phoenix								\$ 1,721,999

(1) Beginning in fiscal year 2016 (tax year 2015), primary and secondary levies are based on a single valuation. See Note 4 to the financial statements.

Sources: Maricopa County Finance Department and the State of Arizona

City of Phoenix, Arizona
Property Tax Levies
Applicable to Phoenix Property Owners

Table 12
(Continued)

(in thousands)

	2016-17 Levies							
	Limited Net Assessed Valuation (1)			Primary Tax Rate Per \$100	Total Phoenix Primary Tax Levy	Secondary Tax Rate Per \$100	Total Phoenix Secondary Tax Levy	Total Phoenix Tax Levy
	Total	Percent	Amount					
City of Phoenix	\$ 10,982,151	100.00%	\$10,982,151	\$ 1.3359	\$ 146,711	\$ 0.8341	\$ 91,602	\$ 238,313
Maricopa County	36,135,494	30.39	10,982,151	1.4009	153,849	—	—	153,849
Education Equalization	36,198,109	30.39	11,000,605	0.5010	55,113	—	—	55,113
Flood Control	32,624,765	30.39	9,914,666	—	—	0.1792	17,767	17,767
Central Arizona Water Conservation District	36,198,109	30.39	11,000,605	—	—	0.1400	15,401	15,401
Maricopa County Library District	36,135,494	30.39	10,982,151	—	—	0.0556	6,106	6,106
Volunteer Fire District Assistance	36,135,494	30.39	10,982,151	—	—	0.0112	1,230	1,230
East Valley Institute of Technology	16,068,511	9.96	1,599,852	—	—	0.0500	800	800
West Maricopa Education Center	13,271,791	38.28	5,080,240	—	—	0.0840	4,267	4,267
Maricopa Special Health Care District	36,198,109	30.34	10,982,151	—	—	0.3053	33,529	33,529
State of Arizona	56,573,588	19.41	10,982,151	—	—	—	—	—
<u>School Districts</u>								
Maricopa County Community College District	36,135,494	30.39	10,982,151	1.2376	135,915	0.2275	24,984	160,899
<u>High School Districts</u>								
Phoenix Union	4,328,567	96.23	4,165,461	3.4056	141,859	1.6628	69,263	211,122
Glendale Union	1,400,607	79.50	1,113,476	2.6713	29,744	2.0025	22,297	52,041
Tempe Union	3,170,300	30.05	952,748	2.2370	21,313	0.6586	6,275	27,588
Tolleson Union	987,530	47.43	468,348	2.2721	10,641	1.2931	6,056	16,697
Agua Fria Union	1,030,770	0.01	103	2.0845	2	1.3889	1	3
Total High School Districts								307,451
<u>Elementary School Districts</u>								
No. 1 Phoenix	599,497	100.00	599,497	4.2675	25,584	2.9565	17,724	43,308
No. 2 Riverside	337,179	97.90	330,115	1.5313	5,055	2.1906	7,231	12,286
No. 3 Tempe	1,304,787	14.20	185,246	3.0866	5,718	2.1965	4,069	9,787
No. 5 Isaac	118,947	100.00	118,947	6.4029	7,616	4.2184	5,018	12,634
No. 6 Washington	1,142,986	97.42	1,113,476	2.8322	31,536	2.8026	31,206	62,742
No. 7 Wilson	91,129	100.00	91,129	4.4554	4,060	2.3618	2,152	6,212
No. 8 Osborn	375,610	99.93	375,337	2.1132	7,932	1.7765	6,668	14,600
No. 14 Creighton	368,744	85.33	314,656	2.4367	7,667	3.4709	10,921	18,588
No. 17 Tolleson	156,820	20.53	32,191	2.2157	713	2.5864	833	1,546
No. 21 Murphy	89,321	100.00	89,321	3.1210	2,788	2.8482	2,544	5,332
No. 28 Kyrene	1,865,513	41.14	767,502	2.2419	17,207	2.1426	16,444	33,651
No. 31 Balsz	262,080	93.64	245,402	2.1880	5,369	2.1272	5,220	10,589
No. 38 Madison	877,132	100.00	877,132	2.3718	20,804	2.1864	19,178	39,982
No. 45 Fowler	276,485	88.04	243,428	2.9610	7,208	2.0143	4,903	12,111
No. 48 Scottsdale (Unified)	4,740,996	13.65	647,104	2.8566	18,485	1.0033	6,492	24,977
No. 59 Laveen	192,002	84.62	162,478	2.5743	4,183	5.3256	8,653	12,836
No. 62 Union	55,148	91.73	50,587	2.7233	1,378	2.9088	1,471	2,849
No. 65 Littleton	216,866	15.72	34,084	2.3291	794	3.6399	1,241	2,035
No. 66 Roosevelt	520,228	98.80	514,002	4.3869	22,549	2.9784	15,309	37,858
No. 68 Alhambra	288,007	82.90	238,754	2.2546	5,383	4.8981	11,694	17,077
No. 69 Paradise Valley (Unified)	3,081,691	69.80	2,150,966	4.3764	94,135	2.5902	55,714	149,849
No. 79 Litchfield	703,245	0.01	103	2.2447	2	1.5695	2	4
No. 83 Cartwright	208,691	100.00	208,691	4.3281	9,032	6.7726	14,134	23,166
No. 92 Pendergast	282,212	38.29	108,058	2.1646	2,339	4.5285	4,893	7,232
No. 93 Cave Creek (Unified)	1,779,835	12.81	228,000	1.8786	4,283	0.2254	514	4,797
No. 97 Deer Valley (Unified)	2,299,621	54.60	1,255,518	4.2519	53,383	2.4457	30,706	84,089
Total Elementary School Districts								650,137
Total All School Districts								1,118,487
Total Levies Applicable to Phoenix								\$ 1,644,862

City of Phoenix, Arizona
Primary Net Assessed Valuation and
Estimated True Valuation

Table 13

Last Ten Fiscal Years

(dollars in thousands except for per capita amounts)

Limited Net Assessed Valuation by Classification (1)						
Fiscal Year	Secondary Tax Rate	Commercial/ Utilities/ Industrial	Residential	Rural and Other	Total	
2017-18	\$0.82	\$ 4,922,316	\$ 6,491,721	\$ 307,348	\$ 11,721,385	
2016-17	0.83	4,642,740	6,062,572	276,839	10,982,151	
2015-16	0.48	4,579,070	5,701,785	296,177	10,577,032	
2014-15	0.47	4,700,793	5,788,311	329,530	10,818,634	
2013-14	0.35	4,662,457	4,979,086	333,170	9,974,713	
2012-13	0.58	5,254,484	5,228,248	367,012	10,849,744	
2011-12	0.77	5,869,685	6,000,142	473,946	12,343,773	
2010-11	0.94	7,710,939	7,643,363	738,006	16,092,308	
2009-10	1.05	8,099,847	9,937,631	823,760	18,861,238	
2008-09	1.06	7,378,160	10,598,307	879,605	18,856,072	

Source: Maricopa County Finance Department

For further information on population changes that affect the Assessed Valuation per Capita Actual and Uninflated amounts, see Table 21.

- (1) Beginning in fiscal year 2016 (tax year 2015), primary and secondary levies are based on a single valuation, the Primary Net Assessed Valuation, also referred to as the Limited Net Assessed Valuation. See Note 4 to the financial statements. Fiscal years prior to 2016 use the Secondary Net Assessed Valuation.
- (2) Beginning in fiscal year 2010, population numbers were revised based on the 2010 U.S. Census. 2010, 2011 and 2012 population figures have been adjusted to reflect the City's successful appeal of the 2010 census which resulted in the addition of 1,496 persons.

Table 13
(Continued)

Assessed Valuation Per Capita (2)

Percent Change in Net Valuation	Actual	Uninflated	Estimated True Valuation
6.73% \$	7,422 \$	5,355 \$	116,338,740
3.83	7,013	5,153	110,159,434
(2.23)	6,922	5,121	105,206,669
8.46	7,188	5,357	106,487,248
(8.06)	6,714	5,081	98,192,506
(12.10)	7,401	5,695	103,538,837
(23.29)	8,493	6,726	116,576,023
(14.68)	11,120	8,984	144,772,031
0.03	11,326	9,237	169,320,058
17.35	11,566	9,566	167,520,964

City of Phoenix, Arizona
Principal Property Taxpayers

Table 14

Current Year and Nine Years Ago
(in thousands)

Taxpayer	2016-17			2007-08		
	Limited Net Assessed Valuation (1)	Ranking	As a Percent of Total City	Secondary Net Assessed Valuation (1)	Ranking	As a Percent of Total City
Arizona Public Service Company	\$ 378,080	1	3.44%	\$ 380,570	1	2.37%
Southwest Gas Corporation	76,944	2	0.70	74,226	3	0.46
Century Link (Qwest Communications)	60,630	3	0.55	195,349	2	1.22
AT&T Corporation	40,586	4	0.37			
Grand Canyon Education Inc.	35,480	5	0.32			
Host Kierland LP	35,387	6	0.32			
Espanade Owner LP	26,771	7	0.25			
Starwood Hotels and Resorts	25,490	8	0.23	50,141	10	0.31
United Services Automobile Association	25,018	9	0.23	53,371	7	0.33
Target Corporation	22,245	10	0.20			
Pulte Homes				55,826	4	0.35
Pointe South Mountain Resort LLC				54,979	5	0.34
Cox Communications				54,935	6	0.34
Teachers Insurance & Annuity Assoc. of America				52,220	8	0.32
Metropolitan Life Insurance Company				51,355	9	0.32
Total	\$ 726,631		6.61%	\$ 1,022,972		6.36%
City Total Limited Net Assessed Valuation	<u>\$ 10,982,151</u>					
City Total Secondary Net Assessed Valuation	<u>\$ 16,068,816</u>					

Sources: Maricopa County Assessor
Arizona Department of Revenue
City of Phoenix Finance Department

(1) Beginning in fiscal year 2016 (tax year 2015), primary and secondary levies are based on a single valuation, the Limited Net Assessed Valuation. See Note 4 to the financial statements. Fiscal years prior to 2016 used the Secondary Net Assessed Valuation.

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Statistical Section



Debt Capacity

These schedules present information regarding the City's current levels of outstanding debt and the City's capacity to issue additional debt.



City of Phoenix

City of Phoenix, Arizona
Legal Debt Margin - General Obligation Bonds

Table 15

Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	2017-18	2016-17	2015-16 (3)	2014-15
6% Limitation				
Legal Debt Limitation	\$ 921,981	\$ 840,535	\$ 634,622	\$ 649,118
General Obligation Bonds Outstanding (1)	207,115	274,835	323,260	363,100
Less: Assets held in Restricted Redemption Funds (4)	—	—	(181,730)	(247,025)
Debt Limit Reduction from Refunding (5)	19,355	—	—	—
	226,470	274,835	141,530	116,075
Total Debt Margin Available	\$ 695,511	\$ 565,700	\$ 493,092	\$ 533,043
Total Net Debt Applicable to the 6% Limit as a percentage of 6% Debt Limit	24.56%	32.70%	22.30%	17.88%
20% Limitation				
Legal Debt Limitation	\$ 3,073,271	\$ 2,801,784	\$ 2,115,406	\$ 2,163,727
General Obligation Bonds Outstanding (1)	994,290	1,061,880	1,104,837	1,132,676
Less: Capital Appreciation (2)	—	—	—	—
Debt Limit Reduction from Refunding (5)	37,915	—	—	—
	1,032,205	1,061,880	1,104,837	1,132,676
Total Debt Margin Available	\$ 2,041,066	\$ 1,739,904	\$ 1,010,569	\$ 1,031,051
Total Net Debt Applicable to the 20% Limit as a percentage of 20% Debt Limit	33.59%	37.90%	52.23%	52.35%
Full Cash Net Assessed Valuation	\$ 15,366,354	\$ 14,008,919	\$ 10,577,032	\$ 10,818,634

(1) Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of the city's full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of the city's full net assessed valuation.

(2) The General Obligation Bonds outstanding balance includes accrued interest, or capital appreciation, on capital appreciation bonds. For purposes of the legal debt margin computation, the bonds outstanding balance must be reduced by the amount of this capital appreciation.

(3) In 2015-16, as a result of Proposition 117, the debt limitation was based on the Primary Net Assessed Valuation. Prior years were based in Secondary Net Assessed Valuation now referred to as Full Cash Net Assessed Valuation. Legislation passed in 2016 changed the basis back to Full Cash Net Assessed Valuation starting in fiscal year 2016-17. See Note 4 to the financial statements for an explanation on Proposition 117.

(4) Beginning in FY 2016-17, Assets held in Restricted Redemption Funds will no longer be used in the calculation of the 6% Legal Debt Limitation.

(5) Per A.R.S. Section 35-473.01.I, refunding bonds issued on or after August 6, 2016 may cause a reduction in available debt limits based on the nature of the refunded bonds (each, a "Debt Limit Reduction from Refunding"). If the principal amount of the refunded bonds is greater than the principal amount of the bonds that are refunding them and net premium is used to fund the escrow, then the difference in principal amounts will constitute a Debt Limit Reduction from Refunding.

Table 15
(Continued)

Fiscal Year						
2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	
\$ 598,483	\$ 650,985	\$ 740,626	\$ 965,538	\$ 1,131,674	\$ 1,131,364	
370,195	370,195	364,225	390,645	310,955	329,535	
(290,812)	(321,451)	(337,282)	(339,393)	(275,202)	(199,185)	
—	—	—	—	—	—	
79,383	48,744	26,943	51,252	35,753	130,350	
\$ 519,100	\$ 602,241	\$ 713,683	\$ 914,286	\$ 1,095,921	\$ 1,001,014	
13.26%	7.49%	3.64%	5.31%	3.16%	11.52%	
\$ 1,994,943	\$ 2,169,949	\$ 2,468,755	\$ 3,218,462	\$ 3,772,248	\$ 3,771,214	
1,174,635	1,218,080	1,180,264	1,241,159	1,036,479	1,075,421	
(882)	(811)	(745)	(682)	(2,234)	(3,438)	
—	—	—	—	—	—	
1,173,753	1,217,269	1,179,519	1,240,477	1,034,245	1,071,983	
\$ 821,190	\$ 952,680	\$ 1,289,236	\$ 1,977,985	\$ 2,738,003	\$ 2,699,231	
58.84%	56.10%	47.78%	38.54%	27.42%	28.43%	
\$ 9,974,713	\$ 10,849,744	\$ 12,343,774	\$ 16,092,308	\$ 18,861,238	\$ 18,856,072	

**Ratio of Debt Service Expenditures for General Bonded Debt
to General Governmental Operating Expenditures - Budget Basis**

Last Ten Fiscal Years

(in thousands)

	Total Debt Service		Total General Governmental Operating Expenditures (1)		Ratio of Debt Service to General Governmental Operating Expenditures
2016-17	\$	230,590	\$	2,225,748	10.4%
2015-16		219,326		2,046,050	10.7%
2014-15		210,428		1,911,760	11.0%
2013-14		170,762		1,898,389	9.0%
2012-13		213,298		2,004,539	10.6%
2011-12		206,977		1,911,330	10.8%
2010-11		254,984		1,927,102	13.2%
2009-10		252,190		1,984,144	12.7%
2008-09		236,058		2,059,104	11.5%
2007-08		227,650		2,043,186	11.1%

(1) Includes all funds other than the enterprise funds. See Exhibit H-1.

City of Phoenix, Arizona
Pledged-Revenue Bond Coverage (1)

Table 17

Last Ten Fiscal Years
(in thousands)

Airport Revenue Bonds						
Fiscal Year Ended June 30,	Operating Revenues	Less: Operating Expenses	Net Operating Revenues	Principal	Interest	Coverage
2017	\$ 354,651	\$ 245,116	\$ 109,535	\$ 26,310	\$ 28,420	2.00
2016	345,326	230,236	115,090	24,581	28,156	2.18
2015	339,733	226,165	113,568	22,870	27,466	2.26
2014	329,924	224,563	105,361	23,145	28,489	2.04
2013	309,862	201,996	107,866	21,905	31,338	2.03
2012	299,633	190,127	109,506	25,655	33,768	1.84
2011	297,469	184,158	113,311	19,990	34,797	2.07
2010	274,521	183,231	91,290	18,880	35,708	1.67
2009	294,959	186,694	108,265	18,725	37,239	1.93
2008	300,858	188,152	112,706	9,697	22,735	3.48

Excise Tax Revenue Bonds (2)					Highway User Revenue Bonds (3)				
Fiscal Year Ended June 30,	Excise Tax Revenues	Principal	Interest	Coverage	Highway User Tax Revenues	Principal	Interest	Coverage	
2017	\$ 887,212	\$ 41,855	\$ 40,718	10.74	\$ 126,058	—	\$ —	—	
2016	858,716	38,285	44,146	10.42	116,682	—	—	—	
2015	844,389	34,865	36,511	11.83	111,748	—	—	—	
2014	816,923	31,095	40,794	11.36	102,009	—	—	—	
2013	783,630	29,785	42,171	10.89	98,804	5,875	16,125	4.49	
2012	747,595	12,875	35,016	15.61	90,368	6,266	15,734	4.11	
2011	744,504	14,678	29,516	16.85	104,908	29,740	1,506	3.36	
2010	744,615	28,425	41,975	10.58	103,979	28,285	2,961	3.33	
2009	846,865	28,180	43,787	11.77	109,620	27,005	4,235	3.51	
2008	884,160	27,855	47,280	11.77	125,289	25,840	5,405	4.01	

City of Phoenix, Arizona
Pledged-Revenue Bond Coverage (1)

Table 17
(Continued)

Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended June 30,	Rental Car Facility Charge Revenue Bonds (4)				Special Assessment Bonds (5)				Transit Excise Tax Revenue Bonds (6)			
	Customer Facility Charge Revenues	Principal	Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage	Transit Excise Tax Revenues	Principal	Interest	Coverage
2017	\$ 46,882	\$ 9,795	\$ 11,478	2.20	\$ 14	\$ 18	\$ 4	0.64	\$ 115,910	\$ 49,865	\$ 11,071	1.90
2016	46,969	9,255	12,022	2.21	13	19	5	0.54	112,113	37,145	12,807	2.25
2015	45,698	8,750	12,527	2.15	29	18	7	1.16	110,347	32,775	14,416	2.34
2014	41,858	8,285	12,992	1.97	50	18	8	1.92	111,068	25,595	15,037	2.73
2013	40,579	7,845	13,431	1.91	35	31	10	0.85	110,059	31,035	19,098	2.20
2012	41,538	7,435	13,838	1.95	55	58	13	0.77	106,185	27,215	20,526	2.22
2011	39,388	7,065	14,209	1.85	114	77	17	1.21	101,379	23,755	21,714	2.23
2010	35,122	6,735	14,542	1.65	70	88	15	0.68	86,465	20,560	22,742	2.00
2009	37,160	6,440	14,838	1.75	372	355	25	0.98	97,324	17,620	23,623	2.36
2008	37,565	6,180	15,098	1.77	643	664	55	0.89	115,914	14,910	24,369	2.95
Wastewater Revenue Bonds				Water Revenue Bonds								
Fiscal Year Ended June 30,	Operating Revenues	Less: Operating Expenses	Net Operating Revenue	Principal	Interest	Coverage	Operating Revenues	Less: Operating Expenses	Net Operating Revenue	Principal	Interest	Coverage
2017	\$ 205,748	\$ 74,591	\$ 131,157	\$ 39,485	\$ 29,704	1.90	\$ 420,471	\$ 168,119	\$ 252,352	\$ 47,690	\$ 59,339	2.36
2016	199,761	66,817	132,944	36,568	32,626	1.92	399,709	168,304	231,405	34,344	62,058	2.40
2015	190,815	65,799	125,016	22,612	33,679	2.22	371,591	159,505	212,086	55,042	51,493	1.99
2014	193,009	70,245	122,764	32,347	36,191	1.79	400,507	165,992	234,515	50,231	62,726	2.08
2013	194,611	70,244	124,367	25,082	37,705	1.98	425,937	164,137	261,800	43,436	65,244	2.41
2012	212,990	72,021	140,969	23,973	39,479	2.22	391,654	163,043	228,611	30,775	66,780	2.34
2011	211,876	71,740	140,136	28,151	41,564	2.01	354,311	168,488	185,823	42,094	69,738	1.66
2010	198,157	72,017	126,140	24,945	42,424	1.87	347,593	166,334	181,259	37,960	73,605	1.62
2009	190,927	71,552	119,375	18,640	44,195	1.90	331,861	160,814	171,047	18,310	54,127	2.36
2008	187,905	68,470	119,435	16,330	40,567	2.10	333,443	157,596	175,847	19,580	54,573	2.37

(1) Includes bonds issued by the City of Phoenix as well as the City of Phoenix Civic Improvement Corporation.

(2) Includes debt service on bonds paid from airport revenues (fiscal years 2008-2011 only), solid waste revenues and the new 2015 City of Phoenix Hotel Loan.

(3) The final maturity of Highway User Revenue Bonds was paid on 7/1/2013.

(4) Includes Customer Facility Charge (CFC) receipts deposited into the Trustee-held Revenue Fund only. Revenues are derived primarily from daily usage fees paid by rental car customers arriving at Phoenix Sky Harbor International Airport. The current CFC is \$6.00 per transaction day, effective January 1, 2009. Of the \$6.00 rate, \$4.50 is considered Pledged Revenues and is required to be deposited into the Trustee-held Revenue Fund. The Pledged Revenues must be used to fund various accounts established under the Bond Indenture, including the debt service fund. The City may, but is not required to, deposit the CFC receipts generated by the additional \$1.50 into the Trustee-held Revenue Fund. If the additional \$1.50 is deposited into the Trustee-held Revenue Fund, the monies become Pledged Revenues and are subject to the same use restrictions as the \$4.50. In Fiscal Years 2009 through 2017, the City opted to deposit the entire \$6.00 CFC into the Trustee-held Revenue Fund.

(5) Coverage ratio is less than 1.0 due to prepayment of assessments that are currently in fund balance.

(6) The City has pledged 100% of a 0.4% increase in the City's privilege license (sales) tax rate approved by the City of Phoenix voters on March 14, 2000 to be used for expanded bus service, the construction of a light rail system and other transportation improvements. On August 25, 2015, voters approved a new comprehensive transportation plan and funding tax proposal that increased the existing tax rate dedicated for transportation. The dedicated sales tax rate was increased from the previous 0.4% transit sales tax rate to 0.7% and became effective January 1, 2016, with a sunset date of December 31, 2050. Only the revenue collected from the original 0.4% transit sales tax is currently pledged to the Transit Excise Tax Bonds.

City of Phoenix, Arizona

Table 18

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(in thousands, except per capita)

Fiscal Year	Governmental Activities						Business-Type Activities				Total Debt as a Percentage of Personal Income (2)	Total Debt Per Capita (2)
	General Obligation Bonds	Revenue Bonds & Bank Loans	Municipal Corporation Bonds	Special Assessment Bonds	Certificates of Participation	Capital Leases (1)	General Obligation Bonds	Revenue Bonds & Bank Loans	Municipal Corporation Bonds	Total Primary Government		
2017	\$ 1,178,330	\$ 305,940	\$ 590,600	\$ 96	\$ —	\$ 5,586	\$ 23,075	\$ 14,007	\$ 3,783,345	\$ 5,900,979	8.9%	\$ 3,737
2016	1,305,320	305,940	563,630	114	—	6,633	31,395	14,971	3,996,090	6,224,093	9.6	3,975
2015	1,371,620	—	628,285	133	—	—	56,477	15,908	4,029,790	6,102,213	9.7	3,993
2014	1,430,205	—	671,560	151	24,265	—	65,571	16,818	4,094,225	6,302,795	10.2	4,188
2013	1,472,180	—	739,170	169	25,630	—	73,532	17,701	4,246,165	6,574,547	11.4	4,425
2012	1,505,350	5,875	789,450	200	26,945	—	83,736	18,560	4,401,753	6,831,869	12.3	4,661
2011	1,450,024	12,141	821,455	259	26,970	—	95,209	17,896	4,516,528	6,940,482	13.0	4,775
2010	1,500,379	41,881	744,390	336	29,450	—	132,106	14,846	3,940,950	6,404,338	12.3	4,426
2009	1,200,792	70,166	784,020	260	30,625	—	148,876	—	4,022,342	6,257,081	11.0	3,757
2008	1,232,957	97,476	820,061	593	31,760	—	175,437	—	3,642,562	6,000,846	10.5	3,681

- (1) Capital Leases are not backed by pledged revenues of any City of Phoenix bond credits. Payments on Capital Leases are subject to annual expenditure appropriation of the General Fund.
- (2) See Table 21 for personal income and population data. Beginning in fiscal year 2010, population numbers were revised based on the 2010 U.S. Census. Fiscal years 2010, 2011 and 2012 population figures have been adjusted to reflect the City's successful appeal of the 2010 census, which resulted in the addition of 1,496 persons. Per Capita Income is not available for calendar year 2015 or 2016; therefore, 2014 calendar year per capita income was used.

Governmental Activities Direct Bonded Debt per Capita

Last Ten Fiscal Years

Fiscal Year	(in thousands)		(in thousands)		
	General Obligation Bonded Debt	General Obligation Bonded Debt as a Percentage of Valuation of Property	Debt Secured by Revenues other than Property Tax (1)	Total Governmental Activities Direct Bonded Debt (2)	Total Governmental Activities Direct Bonded Debt Per Capita (3)
2016-17	\$ 1,178,330	10.1%	\$ 902,223	\$ 2,080,553	1,317.43
2015-16	1,305,320	11.9	876,317	2,181,637	1,393.22
2014-15	1,371,620	13.0	628,418	2,000,038	1,308.83
2013-14	1,430,205	13.2	695,976	2,126,181	1,412.68
2012-13	1,472,180	14.8	764,969	2,237,149	1,505.77
2011-12	1,505,350	13.9	822,470	2,327,820	1,587.98
2010-11	1,450,024	11.7	860,825	2,310,849	1,589.89
2009-10	1,500,379	9.3	816,057	2,316,436	1,600.71
2008-09	1,200,792	6.4	885,071	2,085,863	1,252.53
2007-08	1,232,957	6.5	949,890	2,182,847	1,338.89

- (1) Includes Revenue Bonds/Bank Loans, Certificates of Participation, Municipal Corporation Obligations, Special Assessment Bonds and Capital Leases.
- (2) See Note 10 to the Financial Statements, Governmental Activities - Total Bonds and Notes Payable prior to Discounts/Premiums.
- (3) Beginning in fiscal year 2010, population numbers were revised based on the 2010 U.S. Census. 2010, 2011, and 2012 population figures have been adjusted to reflect the City's successful appeal of the 2010 census which resulted in the addition of 1,496 persons.

City of Phoenix, Arizona
Direct and Overlapping Bonded Debt

Table 20

June 30, 2017

(in thousands)

	<u>Direct Debt</u>		
Direct Debt - City of Phoenix Governmental Activities (1)			
General Obligation Bonds			
6% Limitation Various Purpose			\$ 202,115
20% Limitation Various Purpose			976,215
Total General Obligation Bonds			<u>1,178,330</u>
Other Obligations			
Revenue Bonds/Bank Loans			305,940
Municipal Corporation Obligations			590,600
Special Assessment Bonds			96
Capital Leases			5,587
Total Other Obligations			<u>902,223</u>
Total Direct Debt			<u>\$ 2,080,553</u>
	Bonded Debt	Valuation Percent to City	Overlapping Debt
Overlapping Debt (2)			
Maricopa County Community College District	\$ 445,570	30.64%	\$ 136,523
High School Districts		—	
Phoenix Union	263,185	96.32	253,500
Glendale Union	98,915	79.67	78,806
Tempe Union	91,995	29.86	27,470
Tolleson Union	21,200	47.80	10,134
Agua Fria Union	82,825	0.02	17
Elementary School Districts		—	
No. 1 Phoenix	45,215	100.00	45,215
No. 2 Riverside	32,455	97.72	31,715
No. 3 Tempe	131,875	13.98	18,436
No. 6 Washington	95,780	97.44	93,328
No. 7 Wilson	4,875	100.00	4,875
No. 8 Osborn	19,995	99.93	19,981
No. 14 Creighton	38,105	86.17	32,835
No. 17 Tolleson	5,955	19.44	1,158
No. 21 Murphy	8,995	100.00	8,995
No. 28 Kyrene	185,475	41.09	76,212
No. 31 Balsz	11,850	93.96	11,134
No. 38 Madison	94,345	100.00	94,345
No. 45 Fowler	4,800	88.39	4,243
No. 48 Scottsdale (Unified)	220,989	13.81	30,519
No. 59 Laveen	20,430	84.88	17,341
No. 62 Union	6,165	93.52	5,766
No. 65 Littleton	21,530	16.31	3,512
No. 66 Roosevelt	42,010	98.81	41,510
No. 69 Paradise Valley (Unified)	271,435	69.80	189,462
No. 79 Litchfield	40,110	0.02	8
No. 83 Cartwright	22,980	100.00	22,980
No. 92 Pendergast	32,405	38.31	12,414
No. 93 Cave Creek (Unified)	37,040	13.01	4,819
No. 97 Deer Valley (Unified)	192,155	54.59	104,897
Total Overlapping Debt	<u>\$ 2,590,659</u>		<u>1,382,150</u>
Net Direct and Overlapping Bonded Debt			<u>\$ 3,462,703</u>

(1) Net of cash with fiscal agent for July 1, 2017 maturities.

(2) Source: Stifel, Nicolaus & Company, Incorporated



City of Phoenix



Statistical Section

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Economic and Demographic Information

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

City of Phoenix, Arizona
Demographic Statistics

June 30, 2017

Table 21

Fiscal Year	Population (June 30) (4)	Personal Income (in thousands)	Per Capita Income (1)	Median Age (2)	Elementary & High School Enrollment	Unemployment Rate (1)
2017	1,579,253	\$66,473,917	\$ 42,092 (3)	35.6	280,857	5.0%
2016	1,565,896	65,911,694	42,092 (3)	36.1	281,906	5.8%
2015	1,528,115	64,321,417	42,092 (3)	35.7	271,089	6.6%
2014	1,505,070	62,041,996	41,222	35.6	268,065	7.6%
2013	1,485,719	57,564,183	38,745	34.6	264,333	8.3%
2012	1,465,901	55,713,033	38,006	34.6	261,393	8.4%
2011	1,453,462	53,535,366	36,833	34.6	258,415	9.1%
2010	1,447,128	52,164,623	36,047	34.6	251,241	8.9%
2009	1,665,320	57,090,500	34,282	33.0	292,536	5.1%
2008	1,630,340	57,363,513	35,185	33.0	287,470	3.2%

(1) Calendar Year

(2) For fiscal years 2010 through 2013, median age is based on the 2010 U.S. Census. For fiscal years 2008 through 2009, median age is based on the 2000 U.S. Census.

(3) Amount not yet available for calendar year 2016 or 2017; therefore, 2015 calendar year per capita income was used.

(4) Beginning in fiscal year 2010, population numbers were revised based on the 2010 U.S. Census. 2010, 2011 and 2012 population figures have been adjusted to reflect the City's successful appeal of the 2010 census which resulted in the addition of 1,496 persons.

Source: City of Phoenix Planning and Development Services Department
 U.S Department of Commerce, Bureau of Economic Analysis
 Arizona Department of Education
 Arizona Department of Economic Security

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

Table 22

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of Arizona	42,687	1	2.23%	50,079	1	2.61%
Banner Health	34,776	2	1.82%	17,020	3	0.89%
Wal-Mart Stores Inc.	34,090	3	1.78%	30,174	2	1.57%
Wells Fargo & Co.	14,818	4	0.77%	14,000	6	0.73%
City of Phoenix	13,776	5	0.72%	14,453	4	0.75%
Maricopa County	12,939	6	0.68%	14,057	5	0.73%
Arizona State University	12,715	7	0.66%	12,727	7	0.66%
HonorHealth	11,296	8	0.59%			
Dignity Health	11,182	9	0.58%			
Intel Corp.	11,000	10	0.57%			
Fry's Food & Drug				11,780	8	0.61%
US Postal Service				11,000	9	0.57%
Honeywell Aerospace				10,700	10	0.56%

Source: Phoenix Business Journal Book of Lists, Arizona Department of Commerce, Workforce Development

Note: Top employers in Maricopa County.



Statistical Section

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Operating Information

These schedules contain service and infrastructure data to show how the City's financial information relates to the services the City provides and the activities it performs.



City of Phoenix

City of Phoenix, Arizona
Statistical Profile
 Last Ten Fiscal Years

Table 23

	2017	2016	2015	2014
AREA (square miles)	519.5	519.4	519.4	519.4
POPULATION AND DWELLING UNITS (1)				
City of Phoenix (2) (3)	1,579,253	1,565,896	1,528,115	1,505,070
Maricopa County (Metro Phoenix)	4,221,684	4,152,807	4,078,062	4,008,651
Number of Dwelling Units (City) (3)	613,463	609,405	603,259	600,589
CITY EMPLOYEES (4)				
Governmental:				
General Government	900	879	819	821
Criminal Justice	254	249	253	263
Public Safety	5,775	5,642	5,530	5,657
Transportation	703	650	645	667
Environmental Services	394	370	377	413
Community Enrichment	1,080	1,045	1,051	1,071
Community Development	712	685	682	684
Total Governmental Employees	9,818	9,520	9,357	9,576
Public Enterprise:				
Aviation	784	748	732	774
Phoenix Convention Center	187	187	181	199
Water Services	1,029	978	931	955
Wastewater Services	292	288	278	298
Solid Waste	533	549	549	541
Golf (5)	—	—	—	—
Total Public Enterprise Employees	2,825	2,750	2,671	2,767
Total Full-Time Employees	12,643	12,270	12,028	12,343
Governmental per 1,000 Population	6.1	6.1	6.1	6.4
PUBLIC SAFETY				
Police Protection				
Police Precincts	7	7	7	8
Police Employees	3,272	3,269	3,268	3,266
Dispatched Calls for Service	691,346	671,456	655,874	641,183
Total Calls for 911/Crimestop	2,287,694	2,354,398	2,238,368	2,064,978
Fire Protection				
Fire Stations	58	58	58	58
Fire Employees	1,997	1,979	1,944	1,912
Total Calls for Service	212,259	204,669	186,594	173,065
COMMUNITY ENRICHMENT				
Libraries				
Number	17	17	17	17
Total Stock (in thousands)	1,837	1,908	1,854	1,802
Circulation (in thousands)	12,096	12,901	10,549	10,428
Parks And Recreation				
Number of Playgrounds (6)	268	256	256	256
City Parks (number of acres)	45,313	45,313	45,313	45,313

- (1) Source: City of Phoenix Planning and Development Services Department
- (2) The population figures before 2010 are for the City of Phoenix's Metropolitan Planning area, which includes additional land area and population not located within the City of Phoenix corporate limits.
- (3) The City successfully appealed the 2010 census figures to add an additional 1,496 persons and 463 dwelling units. 2010, 2011 and 2012 figures have been adjusted to reflect the change.
- (4) Includes only full-time filled positions.
- (5) On March 6, 2013, City Council voted to eliminate the Golf Enterprise Fund. As of July 1, 2013, all activity of the City of Phoenix Municipal Golf program was reported in the governmental funds.
- (6) Beginning in 2012, Parks department started tracking individual playground structures instead of Parks that had playgrounds. Because many parks have two playgrounds - one for younger children and one for older children - the count is significantly higher than in previous years.

Table 23
(continued)

2013	2012	2011	2010	2009	2008
519.3	519.2	519.1	519.1	519.1	517.9
1,485,719	1,465,901	1,453,462	1,447,128	1,665,320	1,630,340
3,944,791	3,883,949	3,843,370	3,817,117	3,759,766	3,725,530
596,676	594,190	592,591	590,612	583,515	576,610
886	894	926	1,008	1,210	1,339
284	298	296	309	345	361
5,843	5,949	6,009	6,193	6,405	6,486
688	717	727	774	788	824
459	461	481	521	483	482
1,127	1,194	1,237	1,317	1,386	1,613
689	680	704	720	785	893
9,976	10,193	10,380	10,842	11,402	11,998
769	771	789	775	775	762
222	221	234	258	268	197
994	999	1,032	1,041	1,046	1,050
321	331	348	315	306	302
531	544	564	582	590	538
44	51	55	61	60	61
2,881	2,917	3,022	3,032	3,045	2,910
12,857	13,110	13,402	13,874	14,447	14,908
6.7	7	7.1	7.5	6.8	7.4
8	8	8	6	6	6
3,266	4,441	4,463	4,819	4,949	4,961
648,718	657,507	673,559	656,331	708,508	773,761
2,130,339	2,131,868	2,068,318	1,991,401	2,091,799	2,435,385
58	58	57	58	57	57
1,947	1,972	1,945	1,972	2,037	2,105
172,568	165,034	156,348	146,203	145,714	145,279
17	17	16	16	16	15
1,735	1,791	1,644	1,736	1,751	2,165
11,159	14,465	13,840	14,447	14,152	15,835
244	242	166	164	164	164
46,634	46,032	44,517	41,966	41,966	37,991

City of Phoenix, Arizona
Statistical Profile
 Last Ten Fiscal Years

Table 23

	2017	2016	2015	2014
TRANSPORTATION				
Public Transit Ridership				
Bus (in thousands)	33,725	34,615	38,329	38,903
Dial-a-Ride (in thousands)	330	371	356	344
Light Rail (in thousands) (7)	10,864	9,850	9,039	9,023
Traffic Control And Lighting				
Signalized Intersections	1,140	1,130	1,106	1,099
Street Lights in Use	91,449	90,927	95,592	90,380
Streets				
Miles of Streets	4,857	4,857	4,857	4,856
Miles Resurfaced and Sealed:				
Major/Collector Streets	86	107	3	18
Local Streets	387	122	129	100
COMMUNITY DEVELOPMENT				
Construction Permits (8)				
Number of Permits Issued	42,698	42,384	37,527	34,255
Market Value (in thousands)	3,655,744	3,937,700	3,013,043	2,805,861
AVIATION				
Scheduled Airlines Served	19	19	19	21
Aircraft Traffic Movements (in thousands)	923	927	894	867
Passengers Enplaned/Deplaned (in thousands)	43,533	44,158	43,000	41,093
PHOENIX CONVENTION CENTER				
Number of Conventions	62	59	49	52
WATER SERVICES				
Production (billion gallons)	97.8	97.6	93.4	97.6
Average Daily Production (million gallons)	268.1	266.8	255.8	266.9
Miles of Water Mains (9)	6,888	6,882	6,883	6,867
Number of Accounts	423,569	416,303	418,995	416,623
WASTEWATER SERVICES				
Miles of Sewer Lines (9)	4,847	4,846	4,841	4,833
Number of Accounts (10)	410,952	406,967	402,495	402,624
SOLID WASTE COLLECTION SERVICES				
Residences Served	402,504	400,549	402,012	400,075
City Disposal (tons)	623,236	589,033	586,789	564,452
Total Disposal (tons)	943,639	896,255	883,119	863,226
Total Recycling (tons)	119,517	114,319	113,990	106,708
GOLF				
Rounds of Golf Played	200,405	223,266	221,267	254,703
Acres of Golf Courses Maintained	622	622	622	922

(7) Light rail service began on 12/27/2008. Ridership data represents passenger boardings in the City of Phoenix only and does not include boardings in other cities.

(8) Construction permits include plumbing, electrical and mechanical permits, which are excluded from Table 13.

(9) Beginning in 2013, miles of water mains and sewer lines are reported from a GIS tracking system rather than the as built database, resulting in a more accurate count of mileage.

(10) In 2011, the methodology was changed to include accounts with partial months of service.

Table 23
(continued)

2013	2012	2011	2010	2009	2008
39,575	38,440	37,425	38,476	48,061	45,543
336	337	328	354	396	391
8,924	8,387	7,885	7,576	3,486	—
1,102	1,096	1,092	1,080	1,075	1,012
90,613	95,592	91,133	90,870	89,844	89,632
4,850	4,832	4,824	4,811	4,799	4,799
11	10	85	20	60	22
77	183	41	89	74	82
30,295	27,652	29,366	28,185	33,541	33,550
2,964,395	2,845,334	2,881,360	2,589,067	3,347,275	3,440,591
21	17	18	19	19	21
934	963	941	984	1,038	1,085
40,565	40,554	39,561	38,289	37,936	41,646
58	58	48	70	60	54
97.8	100.8	99.9	97.9	99.2	106.6
267.8	275.5	273.6	267.9	271.8	291.2
6,847	6,953	6,962	6,955	6,935	6,905
414,188	407,902	404,647	403,104	402,926	403,752
4,816	4,984	4,980	4,975	4,960	4,943
397,627	394,495	391,267	373,123	373,588	374,555
397,624	395,785	394,159	392,830	390,479	386,389
566,509	599,952	645,038	649,616	709,812	711,365
875,601	948,931	1,046,300	975,234	1,039,169	1,054,206
107,237	105,695	109,805	112,800	119,402	128,047
248,630	253,288	236,700	246,147	255,847	299,000
922	922	755	755	724	922



City of Phoenix

PRESERVING KEY SERVICES,
FOCUSING ON SAFETY

