

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and City Council
of the City of Scottsdale, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Scottsdale, Arizona for the year ended June 30, 2015. This report is the responsibility of the City of Scottsdale, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of City of Scottsdale, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

February 10, 2016

CITY OF SCOTTSDALE, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	422,602
2. Voter-approved alternative expenditure limitation		<u>N/A</u>
3. Enter applicable amount from line 1 or line 2	\$	422,602
4. Amount subject to the expenditure limitation (total expenditures and expenses from Part II, Line C)	\$	379,610
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)		-
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec 20(2)(b), Arizona Constitution)		-
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec 20(2)(c), Arizona Constitution)		-
8. Qualifying capital improvement expenditures repaid in accordance with A.R.S. Sec. 41-1279.07(I)		<u>-</u>
9. Adjusted expenditures subject to expenditure limitation; subtract lines 5, 6, 7, 8 from line 4	\$	<u>379,610</u>
10. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec 20(2)(b), Arizona Constitution)		<u>-</u>
11. Total adjusted expenditures subject to expenditure limitation; add lines 9 and 10		<u>\$ 379,610</u>
12. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)	\$	<u>42,992</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Jeffery M. Nichols

Name and Title: Jeffery M. Nichols, City Treasurer/Chief Financial Officer

Telephone Number (480) 312-2364

Date: 2/19/14

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2015
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 549,482	\$ 160,528	\$ 56,977	\$ -	\$ 766,992
B. Less exclusions claimed:					
1. a. Bond proceeds (Part II, Note B-1a)	115,567	-	-	-	115,567
b. Debt service requirements on bonded indebtedness (Part II, Note B-1b)	115,113	28,272	-	-	143,385
c. Proceeds from other long-term obligations (Part II, Note B-1c)	-	-	-	-	-
d. Debt service requirements on other long-term obligations (Part II, Note B-1d)	2,660	-	-	-	2,660
2. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-2)	1,240	903	-	-	2,143
3. Trustee or custodian (Part II, Note B-3)	-	-	-	5	5
4. Grants and aid from the Federal Government (Part II, Note B-4)	9,547	-	-	-	9,547
5. Grants, aid, contributions, or gifts from private agency or organization or individual except amounts received in lieu of taxes. (Part II, Note B-5)	1,797	-	-	-	1,797
6. Amounts received from the State of Arizona (Part II, Note B-6)	395	-	-	-	395
7. Quasi-external interfund transactions (Part II, Note B-7)	6,987	-	47,956	-	54,943
8. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-8)	17,679	23,071	-	-	40,750
9. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-9)	11,994	-	-	-	11,994
10. Contracts with other political subdivisions (Part II, Note B-10)	1,074	-	-	-	1,074
11. Refunds, reimbursements, and other recoveries (Part II, Note B-11)	3,122	-	-	-	3,122
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward (Part II, Note B-13)	-	-	-	-	-
14. Total Exclusions Claimed:	287,175	52,246	47,956	5	387,382
C. Amounts subject to expenditure limitation	\$ 262,307	\$ 108,282	\$ 9,021	\$ -	\$ 379,610

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2015
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements (Reconciliation Note A-2, CAFR pgs. 43, 51, and 56).	\$ 648,787	\$ 165,534	\$ 55,333	\$ -	\$ 869,659
B. Subtractions:					
1. Items not requiring use of current financial resources:					
Depreciation and amortization (CAFR pg. 51)	\$ -	\$ 49,507	\$ 5,767	\$ -	\$ 55,274
Loss on disposal of capital assets (CAFR pg. 51)	-	530	-	-	530
Bad debt expense	-	-	-	-	-
Other postemployment benefits expense (OPEB)	-	-	-	-	-
Pension expense (CAFR pg. 54)	-	2,109	320	-	2,429
Claims incurred but not reported (IBNR) (CAFR pg. 100)	-	-	15,939	-	15,939
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).	99,305	-	-	-	99,305
3. Required fees paid to the Arizona Department of Revenue	-	-	-	-	-
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreement (Reconciliation, Note B-3).	-	-	-	-	-
5. Involuntary court judgements (Reconciliation, Note B-4).	-	-	1,546	-	1,546
6. Total subtractions	\$ 99,305	\$ 52,146	\$ 23,572	\$ -	\$ 175,023
C. Additions:					
1. Principal payments on long-term debt (Part II-Note B-1b)	\$ -	\$ 15,288	\$ -	\$ -	\$ 15,288
2. Acquisition of capital assets (CAFR pg. 53)	-	29,669	9,222	-	38,891
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB	-	-	-	-	-
Claims previously recognized as IBNR (CAFR pg. 100)	-	-	15,663	-	15,663
Landfill closure and postclosure care costs recorded as expended in previous years (N/A)	-	-	-	-	-
4. Pension contributions (CAFR pg. 54)	-	2,183	331	-	2,514
5. Total additions	-	47,140	25,216	-	72,356
D. Amounts reported on Part II, line A	\$ 549,482	\$ 160,528	\$ 56,977	\$ -	\$ 766,992

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015
(in thousands of dollars)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes, Section 41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, Section 20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

PART II - NOTE B-1a - BOND PROCEEDS

Governmental Funds

G.O. Bond Debt Service Fund payment to refunding escrow agent	CAFR pg. 43	\$	113,443
General Obligation Bond Construction Fund expenditures that were paid from bond proceeds	CAFR pg. 157		2,124
		\$	<u>115,567</u>

PART II - NOTE B-1b - DEBT SERVICE REQUIREMENTS ON BONDED INDEBTEDNESS

Governmental Funds

Debt Service (General Obligation Bond)

Principal	CAFR pg. 43	\$	90,395
Interest and bond issuance costs	CAFR pg. 43		24,718
		\$	<u>115,113</u>

Enterprise Funds:

Principal Payments on Long-Term Debt	CAFR pg. 53	\$	15,288
Interest Payments on Long-Term Debt	CAFR pg. 51		12,984
Total Principal & Interest on Long-Term Debt		\$	<u>28,272</u>

PART II - NOTE B-1d - DEBT SERVICE REQUIREMENTS ON OTHER LONG-TERM OBLIGATIONS

General Fund:

Principal (partial)	CAFR pg. 43	\$	2,251
Interest (partial)	CAFR pg. 43		409
Total debt service on General Fund other long-term obligations		\$	<u>2,660</u>

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands of dollars)

PART II - NOTE B-2 - DIVIDENDS, INTEREST, AND GAINS ON SALE OF SECURITIES

General Fund:		
Interest Earnings	CAFR pg. 42	\$ 1,214
Special Revenue Funds:		
Section 8 - Interest Earnings	CAFR pg. 139	\$ 1
Special Programs - Interest Earnings	CAFR pg. 140	25
		<u>\$ 26</u>
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities:		<u>\$ 1,240</u>
Enterprise Funds Investment Income:		
Interest Earnings (partial)	CAFR pg. 51	<u>\$ 903</u>

PART II - NOTE B-3 - TRUSTEE OR CUSTODIAN

Fiduciary Funds - deductions	CAFR pg. 56	<u>\$ 5</u>
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PART II - NOTE B-4 - GRANTS AND AID FROM FEDERAL GOVERNMENT

Special Revenue Funds:		
CDBG-Grants and aid from Federal Government	CAFR pg. 139	\$ 1,066
HOME-Grants and aid from Federal Government	CAFR pg. 139	12
Grants-Grants and aid from Federal Government	CAFR pg. 139	1,180
Section 8-Grants and aid from Federal Government	CAFR pg. 139	5,452
Governmental Funds-Intergovernmental Miscellaneous (partial)	CAFR pg. 42	2,117
Grants-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(76)
Section 8-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(204)
		<u>\$ 9,547</u>

PART II - NOTE B-5 - EXPENDITURES FROM GRANTS, AID, AND CONTRIBUTIONS

Governmental Funds		
Grants Fund - contributions/donations	CAFR pg. 139	\$ 1,506
Special Programs Fund - contributions and donations (partial)	CAFR pg. 140	291
Total expenditures from grants, aid, and contributions		<u>\$ 1,797</u>

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands of dollars)

PART II - NOTE B-6 - EXPENDITURES FROM AMOUNTS RECEIVED FROM THE STATE

Governmental Funds		
Grants Fund	CAFR pg. 139	\$ 360
Special Programs-Intergovernmental Miscellaneous (partial)	CAFR pg. 140	35
Total expenditures and amounts received from the State		<u>\$ 395</u>

PART II - NOTE B-7 - QUASI-EXTERNAL INTERFUND TRANSACTIONS

The following expenses/expenditures are from amounts included in General Fund Revenues or Internal Service Fund Revenues. Therefore, these expenses are excluded in the General Fund and Internal Services Funds. The amounts excluded do not exceed expenditures of these revenues.

Governmental Fund and Enterprise expenses included in Internal Service Fund revenues	CAFR pg. 160 charges for sales and services/billings	\$ 48,427
Computer Replacement (non-excludable amount, to be carried forward)		<u>(471)</u>
		<u>\$ 47,956</u>
Enterprise Funds expenses included in General Fund - indirect costs	CAFR pg. 42, 51	\$ 6,463
Enterprise Funds expenses included in Transportation Fund - indirect costs	CAFR pg. 139, 51	524
		<u>\$ 6,987</u>

PART II - NOTE B-8 - AMOUNTS ACCUMULATED FOR CONSTRUCTION*

Governmental Funds		
Capital Improvement Expenditures		
General CIP Construction Capital Project Fund	CAFR pg. 43	\$ 18,161
Preserve Privilege Tax Capital Project Fund	CAFR pg. 157	1,623
Transportation Privilege Tax Capital Project Fund	CAFR pg. 157	12,499
Less: Furniture, Machinery & Equipment purchases, operating expenses		<u>(14,604)</u>
Total amount accumulated for construction		<u>\$ 17,679</u>
Enterprise Funds		
Capital improvements purchases	CAFR pg. 53	\$ 29,669
Less: Furniture, Machinery & Equipment purchases, operating expenses		<u>(6,598)</u>
Total amount accumulated for construction		<u>\$ 23,071</u>

* Amounts or property accumulated and used for the acquisition of land, and the purchase or construction of buildings and improvements, which received a permanent voter exclusion in 1982.

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands of dollars)

PART II - NOTE B-9 - EXPENDITURES FROM HIGHWAY USER REVENUES IN EXCESS OF FISCAL YEAR 1979-80 SPECIAL

Total HURF revenue	CAFR, pg. 139	\$ 13,461
Less:		
1979-80 HURF base		(1,467)
Maximum HURF exclusion available		<u>\$ 11,994</u>
Total HURF expenditures	CAFR, pg. 139	\$ 23,953
Less:		
Maximum HURF exclusion available		(11,994)
Reimbursements from Outside Sources (consists of intergovt. misc. amount)	CAFR, pg. 139	(503)
Indirect Costs	CAFR, pg. 139	(524)
Total HURF expenditures not covered by non-local revenue		<u>\$ 10,932</u>
HURF exclusion claimed		<u>\$ 11,994</u>
HURF carryforward		<u>\$ -</u>

PART II - NOTE B-10 - CONTRACTS WITH OTHER POLITICAL SUBDIVISIONS

Governmental Funds		
General Fund - intergovernmental miscellaneous (partial)	CAFR, pg. 42	\$ 1,036
Special Programs Fund - intergovernmental miscellaneous (partial)	CAFR, pg. 140	38
		<u>\$ 1,074</u>

PART II - NOTE B-11 - REFUNDS, REIMBURSEMENTS, AND OTHER RECOVERIES

Governmental Funds		
General Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	CAFR, pg. 42	\$ 1,952
Transportation Fund - Intergovernmental miscellaneous	CAFR, pg. 139	503
Section 8 Housing Fund - reimbursements from outside sources	CAFR, pg. 139	2
Grants Fund - reimbursements from outside sources	CAFR, pg. 139	1
Special Programs Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	CAFR, pg. 140	642
Tourism Development Fund - reimbursements from outside sources	CAFR, pg. 140	22
		<u>\$ 3,122</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015
(in thousands of dollars)

RECONCILIATION - NOTE A-2 - TOTAL EXPENDITURES/EXPENSES/DEDUCTIONS REPORTED IN THE FUND FINANCIAL STATEMENTS

Governmental Funds:			
Total expenditures	CAFR pg. 43	\$	480,718
Payment to refunded bonds escrow agent	CAFR pg. 43		168,069
Total expenses		\$	648,787
Enterprise Funds:			
Total operating expenses	CAFR pg. 51	\$	152,020
Interest paid	CAFR pg. 51		12,984
Loss on Sale of Fixed Asset	CAFR pg. 51		530
Total expenses		\$	165,534

RECONCILIATION - NOTE B-2 - EXPENDITURES WHICH ARE NOT INCLUDED IN EEC BASE LIMITATION

The subtraction of \$99,305 for separate legal entities established under Arizona Revised Statutes consists of expenditures of streetlight and service districts, community facility districts, a preserve authority, and a municipal property corporation included within the city/town's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the general purpose financial statements:

Streetlight and Service District	CAFR pg. 140	\$	583
Municipal Property Corporations			
Principal	CAFR pg. 151	\$	6,400
Interest and other charges	CAFR pg. 151		9,713
Payment to refunded bonds escrow agent	CAFR pg. 151		54,626
Capital project expenses	CAFR pg. 157		17,757
Total		\$	88,496
Community Facilities Districts			
Operating expenditures	CAFR pg. 139-140	\$	110
Principal	CAFR pg. 151		2,590
Interest and other charges	CAFR pg. 151		1,045
Total		\$	3,745
Scottsdale Preserve Authority			
Operating expenditures	CAFR pg. 139	\$	4
Principal	CAFR pg. 151		4,140
Interest and other charges	CAFR pg. 151		2,337
Total		\$	6,481
Total Expenditures not included in EEC Base Limitation:			\$ 99,305

RECONCILIATION - NOTE B-4 - INVOLUNTARY COURT JUDGMENTS OR INVOLUNTARY SETTLEMENTS

The subtraction of \$1,546 is the result of tortious acts for which the City was required to pay involuntarily.

Internal Service Funds			
Operating expenses included in the Internal Service Funds (partial)	CAFR pg. 160	\$	1,546