

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

CITY OF SCOTTSDALE, ARIZONA

JUNE 30, 1969

ERNST & ERNST

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

CITY OF SCOTTSDALE, ARIZONA

June 30, 1969

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COMBINED STATEMENT FOR ALL FUNDS OF REVENUES AND EXPENDITURES
(ADJUSTED FOR ENCUMBRANCES) COMPARED TO BUDGET..... 23

ERNST & ERNST

800 SECURITY CENTER BUILDING

PHOENIX, ARIZONA 85004

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

We have examined the financial statements of the several funds (as noted on pages 4 through 21) of the City of Scottsdale, Arizona, for the year ended June 30, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as described in the following paragraph. It was not practicable to obtain confirmation of special assessments receivable by direct correspondence with the owners of the assessed properties, but we satisfied ourselves as to such accounts by means of other auditing procedures.

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

In our opinion, with the exception stated in the preceding paragraph, the accompanying balance sheets and related statements of revenues, expenditures, and fund balance of the several funds (as noted on pages 4 through 21) present fairly the financial positions of these several funds of the City of Scottsdale, Arizona, at June 30, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Phoenix, Arizona
October 24, 1969

BALANCE SHEETS

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

June 30, 1969

	Operating Funds				General Debt Service	General Fixed Assets	General Bonded Debt
	General	Motor Vehicle Fuel Tax	Major Streets and Highways	Public Works Reserve			
ASSETS							
Cash	\$ 49,124	\$ 225	\$ 392	\$ 383	\$ 899	\$	\$
Cash with fiscal agents		170			161,986		
United States Government securities - at cost, which approximates market	1,028,428	197,489	148,115		182,190		
Other assets	1,618						
Due from other funds	325,435		116,435	603,816			
Property and equipment - on the basis of cost:							
Land						1,143,502	
Buildings and improvements						3,673,505	
Streets and storm drains						1,755,221	
Machinery and equipment						1,566,169	
Construction in progress						987,805	
Amount to be provided for retirement of bonds							4,039,000
	<u>\$1,404,605</u>	<u>\$197,884</u>	<u>\$264,942</u>	<u>\$604,199</u>	<u>\$345,075</u>	<u>\$9,126,202</u>	<u>\$4,039,000</u>
LIABILITIES							
Claims payable	\$ 303,048	\$ 571	\$ 400	\$ 80,537	\$	\$	\$
Contract payable - Note F						145,035	
Due to other funds	586,656	76,817	10,207	43,762	183,089		
Bonds payable - Note C					74,000		4,039,000
Bond interest payable		170			87,986		
Assessments payable on City property						668,140	
	<u>889,704</u>	<u>77,558</u>	<u>10,607</u>	<u>124,299</u>	<u>345,075</u>	<u>813,175</u>	<u>4,039,000</u>
Fund balance:							
Reserved for encumbrances	241,947	4,971	210,811	471,839			
Available for appropriation	<u>272,954</u>	<u>115,355</u>	<u>43,524</u>	<u>8,061</u>			
	514,901	120,326	254,335	479,900			
Invested in property and equipment						8,313,027	
	<u>\$1,404,605</u>	<u>\$197,884</u>	<u>\$264,942</u>	<u>\$604,199</u>	<u>\$345,075</u>	<u>\$9,126,202</u>	<u>\$4,039,000</u>

See notes to financial statements and accompanying accountants' report.

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL FUNDS

Year ended June 30, 1969

	Operating Funds			General Debt Service Funds		
	General	Motor Vehicle Fuel Tax	Major Streets and Highways	Public Works Reserve	General Obligation	Motor Vehicle Fuel Tax
Revenues:						
Taxes:						
Privilege license	\$1,392,638	\$	\$	\$498,457	\$	\$
Property	550,853			117,978	174,999	
State sales	961,469					
Gasoline		137,215	221,361			
Automobile lieu	209,836					
Light and power franchise	62,386					
Bank	5,099					
	<u>3,182,281</u>	<u>137,215</u>	<u>221,361</u>	<u>616,435</u>	<u>174,999</u>	
Licenses and permits	282,418					
Fines and forfeitures	164,065					
Charges for services and interest on investments	124,487	7,307	8,316	17,285		
Refuse removal	59,906					
Parks and recreation fees	27,940					
Library fines and fees	10,472					
	<u>3,851,569</u>	<u>144,522</u>	<u>229,677</u>	<u>633,720</u>	<u>174,999</u>	
Expenditures:						
Personal services	2,354,686	6,414		124,362		
Contractual services	794,452	242				
Commodities	307,029	21,736		46,783		
Capital outlays	346,745	2,454	201,706	364,007		
Payments to fiscal agents for:						
Principal redemptions					34,000	2,500
Interest redemptions					140,580	956
Fiscal agent's fees	3,409				419	105
Other debt service				12,038		
	<u>3,806,321</u>	<u>30,846</u>	<u>201,706</u>	<u>547,190</u>	<u>174,999</u>	<u>3,561</u>
EXCESS OF REVENUES (EXPENDITURES)	45,248	113,676	27,971	86,530		(3,561)
Interfund transfers (out) in	(200,000)	(3,561)		200,000		3,561
	<u>(154,752)</u>	<u>110,115</u>	<u>27,971</u>	<u>286,530</u>	<u>-0-</u>	<u>-0-</u>
Fund balance at beginning of year	<u>669,653</u>	<u>10,211</u>	<u>226,364</u>	<u>193,370</u>		
FUND BALANCE AT END OF YEAR	<u>\$ 514,901</u>	<u>\$120,326</u>	<u>\$254,335</u>	<u>\$479,900</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

GENERAL OBLIGATION BOND CONSTRUCTION FUND - CIVIC CENTER

June 30, 1969

ASSETS

Cash	\$ 293
United States Government securities - at cost, which approximates market	<u>225,412</u>
	<u>\$225,705</u>

LIABILITIES

Claims payable	\$ 9,265
Due to other funds	<u>29,772</u>
	39,037
Fund balance restricted for construction	<u>186,668</u>
	<u>\$225,705</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

GENERAL OBLIGATION BOND CONSTRUCTION FUND - CIVIC CENTER

Year ended June 30, 1969

Revenues:

Grants from state and federal agencies	\$ 143,789
Interest on investments	<u>46,342</u>
	190,131

Expenditures:

Capital outlays	1,117,343
Commodities	1,558
Contractual services	<u>956</u>
	<u>1,119,857</u>

EXCESS OF EXPENDITURES OVER REVENUES (929,726)

Fund balance at beginning of year 1,116,394

FUND BALANCE AT END OF YEAR, restricted for construction \$ 186,668

See notes to financial statements.

BALANCE SHEETS

CITY OF SCOTTSDALE, ARIZONA

SEWER FUNDS

June 30, 1969.

	Operating Funds		Sewer Debt Service Funds		Sewer Fixed Assets	Sewer Bonded Debt
	Revenue, Operations, and Maintenance	Replacement and Extension Reserve	Interest and Redemption	Reserve		
ASSETS						
Cash	\$ 24,923	\$	\$	\$	\$	\$
Cash with fiscal agents		34,133	83,976	112,297		
United States Government securities - at cost, which approximates market	483,985					
Due from other funds	10,320	1,446				
Property, plant, and equipment - on the basis of cost:						
Land					70,967	
Sewer plant					5,122,215	
Machinery and equipment					30,748	
Amount to be provided for retirement of bonds						2,820,000
	<u>\$519,228</u>	<u>\$35,579</u>	<u>\$83,976</u>	<u>\$112,297</u>	<u>\$5,223,930</u>	<u>\$2,820,000</u>
LIABILITIES						
Claims payable	\$ 9,292	\$	\$	\$	\$	\$
Due to other funds	69,922					
Bonds payable - Note C			30,000			2,820,000
Bond interest payable			53,976			
	<u>79,214</u>		<u>83,976</u>			<u>2,820,000</u>
Fund balance:						
Reserved for encumbrances	19,960					
Otherwise restricted				112,297		
Available for appropriation	<u>420,054</u>	<u>35,579</u>				
	440,014	35,579		112,297		
Invested in property, plant, and equipment					5,223,930	
	<u>\$519,228</u>	<u>\$35,579</u>	<u>\$83,976</u>	<u>\$112,297</u>	<u>\$5,223,930</u>	<u>\$2,820,000</u>

See notes to financial statements and accompanying accountants' report.

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

SEWER FUNDS

Year ended June 30, 1969

	Operating Funds		Sewer Debt Service Funds	
	Revenue, Operations, and Maintenance	Replacement and Extension Reserve	Interest and Redemption	Reserve
Revenues:				
Sewer service	\$608,383	\$	\$	\$
Interest on investments	<u>24,252</u>			
	632,635			
Expenditures:				
Personal services	69,980			
Contractual services	86,394			
Commodities	5,912			
Capital outlays	3,872			
Payments to fiscal agents for:				
Principal redemptions			70,000	
Interest redemptions			143,903	
Fiscal agent's fees			<u>1,101</u>	
	<u>166,158</u>		<u>215,004</u>	
EXCESS OF REVENUES (EXPENDITURES)	466,477		(215,004)	
Interfund transfers (out) in	<u>(214,647)</u>	<u>12,168</u>	<u>202,479</u>	
	251,830	12,168	(12,525)	
Fund balance at beginning of year	<u>188,184</u>	<u>23,411</u>	<u>12,525</u>	<u>112,297</u>
FUND BALANCE AT END OF YEAR	<u>\$440,014</u>	<u>\$35,579</u>	<u>\$ -0-</u>	<u>\$112,297</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

SEWER SYSTEM CONSTRUCTION FUND

June 30, 1969

ASSETS

Cash	\$ 150
United States Government securities - at cost, which approximates market	30,535
Due from other funds	<u>10,208</u>
	<u>\$40,893</u>

LIABILITIES

Due to other funds	\$ 27
Fund balance restricted for construction	<u>40,866</u>
	<u>\$40,893</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

SEWER SYSTEM CONSTRUCTION FUND

Year ended June 30, 1969

Revenues:

Grants from state and federal agencies	\$752,779
Interest on investments	<u>20,439</u>
	773,218

Expenditures:

Capital outlays	<u>940,884</u>
EXCESS OF EXPENDITURES OVER REVENUES	(167,666)

Fund balance at beginning of year	<u>208,532</u>
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FUND BALANCE AT END OF YEAR, restricted for construction	<u>\$ 40,866</u>
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See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

WATER FUND

June 30, 1969

ASSETS

Property and equipment - on the basis of cost:

Land	\$ 4,848
Well site and water system	327,067
Allowance for depreciation (deduction)	<u>(1,628)</u>
	<u>\$330,287</u>

LIABILITIES

Claims payable	\$ 347
Due to other funds	<u>1,939</u>
	2,286
Contributions from municipality	331,915
Fund balance:	
Reserved for encumbrances	438
Available for appropriation (deficit)	<u>(4,352)</u>
	<u>(3,914)</u>
	<u>\$330,287</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

WATER FUND

Year ended June 30, 1969

Revenues:		
Water services		\$ 126
Expenditures:		
Capital outlays		2,412
Depreciation		<u>1,628</u>
		<u>4,040</u>
	EXCESS OF EXPENDITURES OVER REVENUES	(3,914)
Fund balance at beginning of year		<u>-0-</u>
	FUND BALANCE AT END OF YEAR	<u>\$(3,914)</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

SCOTTSDALE MUNICIPAL AIRPORT

June 30, 1969

ASSETS

Cash	\$ 2,862
United States Government securities - at cost, which approximates market	12,795
Property and equipment - on the basis of cost:	
Land and airport runway	1,446,015
Building	296,387
Equipment	2,149
Construction in progress	67,872
Allowances for depreciation (deduction)	<u>(49,666)</u>
	<u>1,762,757</u>
	<u>\$1,778,414</u>

LIABILITIES

Claims payable	\$ 2,494
Contract payable - Note F	304,965
Due to other funds	<u>52,419</u>
	359,878
Contribution from municipality	1,386,936
Fund balance	<u>31,600</u>
	<u>\$1,778,414</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

SCOTTSDALE MUNICIPAL AIRPORT

Year ended June 30, 1969

Revenues:		
Grants from state and federal agencies		\$20,346
Rental income		<u>25,796</u>
		46,142
Expenditures:		
Operating costs		32,490
Depreciation		<u>30,082</u>
		<u>62,572</u>
	EXCESS OF EXPENDITURES OVER REVENUES	(16,430)
Fund balance at beginning of year		<u>48,030</u>
	FUND BALANCE AT END OF YEAR	<u>\$31,600</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

SPECIAL ASSESSMENTS FUND

June 30, 1969

ASSETS

Cash	\$	772
Cash with fiscal agents		70,723
United States Government securities - at cost, which approximates market		368,617
Special assessments receivable - Note B		2,485,407
Due from other funds		<u>25</u>
		<u>\$2,925,544</u>

LIABILITIES

Bonds payable	\$2,469,046
Bond interest payable	420,729
Due to other funds	15,096
Other liabilities	<u>3,006</u>
	2,907,877
Fund balance restricted for bond interest and redemption	<u>17,667</u>
	<u>\$2,925,544</u>

See notes to financial statements.

STATEMENT OF FUND BALANCE
CITY OF SCOTTSDALE, ARIZONA
SPECIAL ASSESSMENTS FUND
Year ended June 30, 1969

Fund balance at beginning of year	\$15,134
Penalties on delinquent collections	<u>2,533</u>
FUND BALANCE AT END OF YEAR, restricted for bond interest and redemption	<u>\$17,667</u>

See notes to financial statements.

BALANCE SHEET

CITY OF SCOTTSDALE, ARIZONA

TRUST AND AGENCY FUND

June 30, 1969

ASSETS

Cash	\$12,359
United States Government securities - at cost, which approximates market	27,508
Due from other funds	<u>2,022</u>
	<u>\$41,889</u>

LIABILITIES

Guaranty and other deposits	\$39,692
Fund balance available for appropriation	<u>2,197</u>
	<u>\$41,889</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE

CITY OF SCOTTSDALE, ARIZONA

TRUST AND AGENCY FUND

Year ended June 30, 1969

Revenues:

Donations received	\$13,988
Grants from federal agencies	<u>1,576</u>
	15,564

Expenditures:

Contractual services	2,212
Capital outlays	<u>14,301</u>
	16,513

EXCESS OF EXPENDITURES OVER REVENUES (949)

Fund balance at beginning of year 3,146

FUND BALANCE AT END OF YEAR \$ 2,197

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

June 30, 1969

NOTE A - PRINCIPLES OF ACCOUNTING

The City of Scottsdale maintains its accounts on a modified accrual basis. Under this method, revenues are recorded only when received, and expenditures are recorded when the liability has been incurred. Budgetary appropriations are encumbered immediately upon the execution of purchase orders, contracts, or other commitment documents. For statement presentation, encumbrances are not combined with expenditures but are accounted for through a segregation of fund balances. Depreciation is not taken on the property accounts, with the exception of the water system and the airport facilities of the Scottsdale Municipal Airport.

NOTE B - SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE C - BONDS PAYABLE

Bond transactions for the year were as follows:

	<u>General Obligation</u>	<u>Motor Vehicle Fuel Tax</u>	<u>Sewer Revenue</u>
Bonds outstanding, July 1, 1968	\$4,162,000	\$22,500	\$2,875,000
Redemptions	<u>(69,000)</u>	<u>(2,500)</u>	<u>(25,000)</u>
BONDS OUTSTANDING, JUNE 30, 1969	<u>\$4,093,000</u>	<u>\$20,000</u>	<u>\$2,850,000</u>

Bonds outstanding at June 30, 1969, bear interest at rates which vary from 3.25% to 5.00% and mature serially as shown below:

	<u>General Obligation</u>	<u>Motor Vehicle Fuel Tax</u>	<u>Sewer Revenue*</u>
Bonds matured or maturing, July 1, 1969	\$ 74,000	\$	\$ 30,000
Bonds to be redeemed during the following fiscal years:			
1970	79,000	3,000	30,000
1971 - 1975	460,000	15,000	195,000
1976 - 1980	575,000	2,000	280,000
1981 - 1985	710,000		590,000
1986 - 1990	870,000		720,000
1991 - 1996	<u>1,325,000</u>		<u>1,005,000</u>
	<u>\$4,093,000</u>	<u>\$20,000</u>	<u>\$2,850,000</u>

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

CITY OF SCOTTSDALE, ARIZONA

June 30, 1969

NOTE D - AUTHORIZED BUT UNISSUED BONDS

June 30, 1969 balances of authorized, issued, and unissued bonds are as follows:

	<u>Total Bonds</u> <u>Authorized</u>	<u>Issued as of</u> <u>June 30, 1969</u>	<u>Authorized Bonds</u> <u>Unissued as of</u> <u>June 30, 1969</u>
General obligation:			
Park and recreational improvement	\$1,438,000	\$ 700,000	\$ 738,000
Sewer revenue	7,500,000	2,950,000	4,550,000
Water revenue	3,000,000		3,000,000

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

NOTE E - REDEMPTION OF 1957 AND 1961 SEWER REVENUE BONDS

In 1961, the City planned to construct a sewage treatment plant, and sewer revenue bonds were issued for that purpose. This plan was abandoned, and the proceeds of the 1961 Sewer Revenue Bonds became unexpendable for the purpose for which they had been issued. In order to remove their lien on future sewer system revenue and provide for issuance of additional sewer bonds for construction of joint sewage facilities under a five-city plan, it was necessary to refund the 1957 and the 1961 Sewer Revenue Bonds. On July 9, 1964, the City executed an irrevocable trust agreement with a bank, whereby the City deposited funds in the trust account for the purpose of servicing and redeeming the 1957 Sewer Revenue Bonds and 1961 Sewer Revenue Bonds. The interest earnings on the funds deposited in trust together with the principal amount are sufficient for the redemption of principal and the payment of interest accruing to these bonds. At June 30, 1969, the principal amounts outstanding were \$155,000 on the 1957 Sewer Revenue Bonds and \$620,000 on the 1961 Sewer Revenue Bonds. The January 1, 1975 call provision will be exercised on all bonds outstanding as of that date.

NOTE F - CONTRACT PAYABLE

The City of Scottsdale Municipal Property Corporation was formed on January 31, 1967, for the purpose of issuing corporate bonds of \$450,000; the proceeds to be used to finance the construction of various facilities at the Scottsdale Municipal Airport and a headquarters building for the fire department of the City of Scottsdale.

The City entered into a long-term contract agreement with the Corporation, whereby the City purchased these facilities for \$450,000 plus interest and other costs related to the bond issue, payable over a 21-year period in monthly installments of approximately \$3,200 from March through June of 1968, and \$3,050 monthly thereafter, through April of 1989.

OTHER FINANCIAL INFORMATION

ACCOUNTANTS' REPORT ON OTHER FINANCIAL INFORMATION

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

The audited financial statements of the several funds (as noted on pages 4 through 21) of the City of Scottsdale, Arizona, and our report thereon are presented in the preceding section of this report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the aforementioned financial statements, and in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole; however, it is not necessary for a fair presentation of the financial positions and the results of operations of the several funds of the City of Scottsdale, Arizona.

Ernst & Ernst

Phoenix, Arizona
October 24, 1969

COMBINED STATEMENT FOR ALL FUNDS OF REVENUES AND EXPENDITURES
(ADJUSTED FOR ENCUMBRANCES) COMPARED TO BUDGET

CITY OF SCOTTSDALE, ARIZONA

Year ended June 30, 1969

	<u>Actual</u>	<u>Encumbrances</u>		<u>Expenditures Adjusted for Encumbrances</u>	<u>Budget</u>	<u>(Over) Under Budget</u>
		<u>Prior Year (Paid This Year)</u>	<u>Current Year</u>			
Revenues:						
Taxes:						
Privilege license	\$1,891,095				\$1,837,511	\$(53,584)
Property	843,830				1,050,586	206,756
State sales	961,469				976,500	15,031
Gasoline	358,576				339,450	(19,126)
Automobile lieu	209,836				201,950	(7,886)
Light and power franchise	62,386				64,700	2,314
Bank	5,099				7,400	2,301
	<u>4,332,291</u>				<u>4,478,097</u>	<u>145,806</u>
Sewer service	608,383				542,500	(65,883)
Licenses and permits	282,418				238,000	(44,418)
Fines and forfeitures	164,065				142,500	(21,565)
Charges for services and interest	181,647				113,700	(67,947)
Refuse removal	59,906				40,500	(19,406)
Parks and recreation fees	27,940				20,000	(7,940)
Library fines and fees	10,472				8,500	(1,972)
Donations and grants from state and federal agencies	20,346				88,000	67,654
Airport rental income	25,796				53,092	27,296
Water services	126					(126)
	<u>5,713,390</u>				<u>5,724,889</u>	<u>11,499</u>
July 1, 1968 fund balances available for appropriation	<u>612,548</u>				<u>229,814</u>	<u>(382,734)</u>
	<u>\$6,325,938</u>				<u>\$5,954,703</u>	<u>\$(371,235)</u>
Expenditures (by fund):						
General	\$3,806,321	\$(192,443)	\$241,947	\$3,855,825	\$3,766,333	\$(89,492)
Motor Vehicle Fuel Tax	30,846	(1,763)	4,971	34,054	78,170	44,116
Major Streets and Highways	201,706	(148,486)	210,811	264,031	264,031	
Public Works Reserve	547,190	(133,230)	471,839	885,799	916,082	30,283
Debt Service Funds	393,564			393,564	278,985	(114,579)
Sewer Revenue, Operations, and Maintenance	166,158	(1,358)	19,960	184,760	465,931	281,171
Water Fund	4,040		438	4,478		(4,478)
Scottsdale Municipal Airport	127,727		1,376	129,103	78,602	(50,501)
	<u>\$5,277,552</u>	<u>\$(477,280)</u>	<u>\$951,342</u>	<u>\$5,751,614</u>	<u>\$5,848,134</u>	<u>\$ 96,520</u>

ERNST & ERNST

800 SECURITY CENTER BUILDING

PHOENIX, ARIZONA 85004

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

Our examination of the financial statements of the City of Scottsdale for the year ended June 30, 1969, included a review of the system of internal control and accounting procedures. Our work in this area, however, was limited to what we considered necessary to permit us to express our opinion on the financial statements. Accordingly, we may not offer all of the suggestions for improvement which might result from a more comprehensive review of internal control.

In general, the accounting system and internal control of the City is considered adequate to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed management policies. There is an adequate system of authorization and approval of transactions, and record-keeping duties are separated from those concerned with operations or the custody of assets.

During our examination, we noted certain areas where we believe improvements could be made in the accounting procedures and internal control. Our comments are not intended to reflect upon the honesty or integrity of any employee, but are intended only to report on those areas where we believe procedures can be improved to provide a more effective system.

EQUIPMENT RECORDS

Complete detailed equipment ledgers are not maintained. It is our understanding that a physical inventory was taken during the latter part of 1968; however, some difficulty has been encountered in identifying costs applicable to the individual equipment items. We recommend that a complete equipment ledger be established and maintained on a current basis as soon as possible.

CASH RECEIPTS

At the present time, one person is responsible for the opening of mail received. No listing of cash receipts is made prior to the recording of such receipts by the cashier.

City of Scottsdale, Arizona

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To strengthen controls, we suggest that a list of cash received be prepared as the mail is opened. This list should then be routed to someone independent of the cashier who would subsequently agree the listing to the cashier's daily reports and to daily bank deposits.

PAYROLL

Control over payroll was strengthened during the year through surprise payoffs by finance office personnel in two of the City's departments. We believe this procedure should be continued and increased in scope.

However, as mentioned in our previous examination, payroll checks for certain of the departments are distributed by persons who are also responsible for time reports, increasing the possibility of paying wages for hours not actually worked. These checks should be distributed by someone who does not prepare time reports.

Further, we noted that no definite procedure has been instituted to control unclaimed payroll checks. We believe a definite policy should be established for these checks. One suggested improvement would be to require that payroll checks unclaimed from department supervisors after twenty-four hours be returned to the financial department.

PROCEDURES MANUALS

As mentioned in our previous examination, accounting policies and procedures are not described in writing. We believe this would be a desirable control and would aid in establishing adherence to prescribed management policies. It is our suggestion that someone be given the responsibility of formalizing in writing the accounting policies and procedures of the City.

We would be pleased to further discuss any of the above recommendations with you at your convenience.

We express our appreciation to all employees of the City of Scottsdale for their assistance and cooperation during the audit.

Ernst & Ernst

Phoenix, Arizona
October 29, 1969