

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2017

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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 the City of Scottsdale, Arizona for the year ended June 30, 2017, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 22, 2018

CITY OF SCOTTSDALE, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 FISCAL YEAR ENDED JUNE 30, 2017
 (in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	454,278
2. Voter-approved alternative expenditure limitation		<u>N/A</u>
3. Enter applicable amount from line 1 or line 2		<u>\$ 454,278</u>
4. Amount subject to the expenditure limitation (total expenditures and expenses from Part II, Line C)	\$	394,221
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)		<u>-</u>
8. Subtotal		<u>394,221</u>
9. 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>
10. Total adjusted amount subject to expenditure limitation; add lines 8 and 9		<u>\$ 394,221</u>
11. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)		<u><u>\$ 60,057</u></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: 1/29/18

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2017
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 505,918	\$ 176,620	\$ 55,655	\$ 8	\$ 738,201
B. Less exclusions claimed:					
1. Debt proceeds (Part II, Note B-1)	97,772	-	-	-	97,772
2. Debt service requirements (Part II, Note B-2)	60,532	28,222	-	-	88,754
3. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-3)	1,698	1,141	-	-	2,839
4. Trustee or custodian (Part II, Note B-4)	-	-	-	8	8
5. Grants and aid from the Federal Government (Part II, Note B-5)	8,731	-	-	-	8,731
6. Grants, aid, contributions, or gifts from private agency or organization or individual except amounts received in lieu of taxes. (Part II, Note B-6)	2,431	-	-	-	2,431
7. Amounts received from the State of Arizona (Part II, Note B-7)	237	-	-	-	237
8. Quasi-external interfund transactions (Part II, Note B-8)	6,993	-	50,349	-	57,342
9. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-9)	36,022	32,491	-	-	68,513
10. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-10)	13,808	-	-	-	13,808
11. Contracts with other political subdivisions (Part II, Note B-11)	1,037	-	-	-	1,037
12. Refunds, reimbursements, and other recoveries (Part II, Note B-12)	2,508	-	-	-	2,508
13. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
14. Prior years carryforward (Part II, Note B-14)	-	-	-	-	-
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. Sec. 41-1279.07	-	-	-	-	-
16. Total Exclusions Claimed:	231,769	61,854	50,349	8	343,980
C. Amounts subject to expenditure limitation	\$ 274,149	\$ 114,766	\$ 5,306	\$ -	\$ 394,221

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2017
(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. 41, 49, and 54).	\$ 535,506	\$ 171,655	\$ 55,608	\$ 8	\$ 762,777
B. Subtractions:					
1. Items not requiring use of current financial resources:					
Depreciation and amortization (CAFR pg. 49)	\$ -	\$ 51,746	\$ 6,442	\$ -	\$ 58,188
Loss on disposal of capital assets (CAFR pg. 49)	-	3	-	-	3
Bad debt expense	-	-	-	-	-
Other postemployment benefits expense (OPEB)	-	-	-	-	-
Pension expense (CAFR pg. 49 (included in operating expense))	-	2,974	398	-	3,372
Claims incurred but not reported (IBNR) (CAFR pg. 103)	-	-	20,351	-	20,351
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).	29,105	-	-	-	29,105
3. Required fees paid to the Arizona Department of Revenue (Reconciliation, Note B-3).	483	-	-	-	483
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreement (Reconciliation, Note B-4).	-	-	-	-	-
5. Involuntary court judgements (Reconciliation, Note B-5).	-	-	356	-	356
6. Total subtractions	\$ 29,588	\$ 54,723	\$ 27,547	\$ -	\$ 111,858
C. Additions:					
1. Principal payments on long-term debt (Part II-Note B-2)	\$ -	\$ 17,530	\$ -	\$ -	\$ 17,530
2. Acquisition of capital assets (CAFR pg. 51)	-	39,809	9,658	-	49,467
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB	-	-	-	-	-
Claims previously recognized as IBNR (CAFR pg. 103)	-	-	17,582	-	17,582
Landfill closure and postclosure care costs recorded as expended in previous years (N/A)	-	-	-	-	-
4. Pension contributions (CAFR pg. 52)	-	2,349	354	-	2,703
5. Total additions	-	59,688	27,594	-	87,282
D. Amounts reported on Part II, line A	\$ 505,918	\$ 176,620	\$ 55,655	\$ 8	\$ 738,201

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2017
 (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-1 - DEBT PROCEEDS

Governmental Funds

G.O. Bond Debt Service Fund payment to refunding escrow agent	CAFR pg. 41	\$	68,105
General Obligation Bond Construction Fund expenditures that were paid from bond proceeds	CAFR pg. 161		29,667
			\$ 97,772

PART II - NOTE B-2 - DEBT SERVICE REQUIREMENTS

Governmental Funds

Debt Service (General Obligation Bond)

Principal	CAFR pg. 41	\$	38,605
Interest and bond issuance costs	CAFR pg. 41		19,313
			57,918

General Fund:

Principal (partial)	CAFR pg. 41	\$	2,342
Interest (partial)	CAFR pg. 41		272
			2,614

Total Governmental Funds Debt Service Requirements		\$	60,532
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Enterprise Funds:

Principal Payments on Long-Term Debt	CAFR pg. 51	\$	17,530
Interest Payments on Long-Term Debt	CAFR pg. 49		10,692
Total Principal & Interest on Long-Term Debt			\$ 28,222

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2017
(in thousands of dollars)

PART II - NOTE B-3 - DIVIDENDS, INTEREST, AND GAINS ON SALE OF SECURITIES

General Fund:		
Interest Earnings	CAFR pg. 40	\$ 1,648
Special Revenue Funds:		
Special Programs - Interest Earnings	CAFR pg. 144	<u>50</u>
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities:		<u>\$ 1,698</u>
Enterprise Funds Investment Income:		
Interest Earnings (partial)	CAFR pg. 49	<u>\$ 1,141</u>

PART II - NOTE B-4 - TRUSTEE OR CUSTODIAN

Fiduciary Funds - deductions	CAFR pg. 54	<u>\$ 8</u>
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PART II - NOTE B-5 - GRANTS AND AID FROM FEDERAL GOVERNMENT

Special Revenue Funds:		
CDBG-Grants and aid from Federal Government	CAFR pg. 143	\$ 1,107
HOME-Grants and aid from Federal Government	CAFR pg. 143	3
Grants-Grants and aid from Federal Government	CAFR pg. 143	1,440
Section 8-Grants and aid from Federal Government	CAFR pg. 143	5,278
Governmental Funds-Intergovernmental Miscellaneous (partial)	CAFR pg. 40	1,016
Grants-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(26)
Section 8-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(87)
		<u>\$ 8,731</u>

PART II - NOTE B-6 - GRANTS AND DONATIONS FROM PRIVATE DONORS

Governmental Funds		
Grants Fund - contributions/donations	CAFR pg. 143	\$ 2,112
Special Programs Fund - contributions and donations (partial)	CAFR pg. 144	319
Total expenditures from grants, aid, and contributions		<u>\$ 2,431</u>

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2017
 (in thousands of dollars)

PART II - NOTE B-7 - EXPENDITURES FROM AMOUNTS RECEIVED FROM THE STATE

Governmental Funds		
Grants Fund	CAFR pg. 143	\$ 202
Special Programs-Intergovernmental Miscellaneous (partial)	CAFR, pg. 144	35
Total expenditures and amounts received from the State		<u>\$ 237</u>

PART II - NOTE B-8 - QUASI-EXTERNAL INTERFUND TRANSACTIONS

The following expenses/expenditures are from amounts included in General Fund, Transportation Fund, or Internal Service Fund Revenues. Therefore, these expenses are excluded in the General Fund, Transportation 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. 164 charges for sales and services/billings	\$ 50,349
		<u>\$ 50,349</u>
Enterprise Funds expenses included in General Fund - indirect costs	CAFR pg. 40, 49	\$ 6,414
Enterprise Funds expenses included in Transportation Fund - indirect costs	CAFR pg. 143, 49	579
		<u>\$ 6,993</u>

PART II - NOTE B-9 - AMOUNTS ACCUMULATED FOR CONSTRUCTION*

Governmental Funds		
Capital Improvement Expenditures		
General CIP Construction Capital Project Fund	CAFR pg. 41	\$ 10,451
Preserve Privilege Tax Capital Project Fund	CAFR pg. 161	16,500
Transportation Privilege Tax Capital Project Fund	CAFR pg. 161	11,326
External Sources	CAFR pg. 161	7,155
Less: Furniture, Machinery & Equipment purchases, operating expenses		(9,410)
Total amount accumulated for construction		<u>\$ 36,022</u>
Enterprise Funds		
Capital improvements purchases	CAFR pg. 51	\$ 39,809
Less: Furniture, Machinery & Equipment purchases, operating expenses		(7,318)
Total amount accumulated for construction		<u>\$ 32,491</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, 2017
 (in thousands of dollars)

PART II - NOTE B-10 - EXPENDITURES FROM HIGHWAY USER REVENUES IN EXCESS OF FISCAL YEAR 1979-80 SPECIAL

Total HURF revenue	CAFR, pg. 143	\$ 15,275
Less:		
1979-80 HURF base		(1,467)
Maximum HURF exclusion available		<u>\$ 13,808</u>
Total HURF expenditures	CAFR, pg. 143	\$ 23,196
Less:		
Maximum HURF exclusion available		(13,808)
Reimbursements from Outside Sources (includes part of intergovt. misc. amount)	CAFR, pg. 143	(441)
Indirect Costs	CAFR, pg. 143	<u>(579)</u>
Total HURF expenditures not covered by non-local revenue		<u>\$ 8,368</u>
HURF exclusion claimed		<u>\$ 13,808</u>
HURF carryforward		<u>\$ -</u>

PART II - NOTE B-11 - CONTRACTS WITH OTHER POLITICAL SUBDIVISIONS

Governmental Funds		
General Fund - intergovernmental miscellaneous (partial)	CAFR, pg. 40	\$ 1,037
		<u>\$ 1,037</u>

PART II - NOTE B-12 - REFUNDS, REIMBURSEMENTS, AND OTHER RECOVERIES

Governmental Funds		
General Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	CAFR, pg. 40	\$ 1,922
Transportation Fund - reimbursements from outside sources and intergovernmental miscellaneous	CAFR, pg. 143	441
Section 8 Housing Fund - reimbursements from outside sources	CAFR, pg. 143	37
Grants Fund - partial intergovernmental miscellaneous	CAFR, pg. 143	14
Special Programs Fund - reimbursements from outside sources	CAFR, pg. 144	68
Tourism Development Fund - reimbursements from outside sources	CAFR, pg. 144	<u>26</u>
		<u>\$ 2,508</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2017
(in thousands of dollars)

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

Governmental Funds:			
Total expenditures	CAFR pg. 41	\$	467,401
Payment to refunded bonds escrow agent	CAFR pg. 41		68,105
Total expenses		\$	<u>535,506</u>
Enterprise Funds:			
Total operating expenses	CAFR pg. 49	\$	160,960
Interest paid	CAFR pg. 49		10,692
Loss on Sale of Fixed Asset	CAFR pg. 49		3
Total expenses		\$	<u>171,655</u>

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

The subtraction of \$29,105 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'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. 144	\$	589
Municipal Property Corporation			
Principal	CAFR pg. 155	\$	9,910
Interest and other charges	CAFR pg. 155		9,249
Total		\$	<u>19,159</u>
Community Facilities Districts			
Operating expenditures	CAFR pg. 143-144	\$	112
Principal	CAFR pg. 155		2,770
Interest and other charges	CAFR pg. 155		867
Total		\$	<u>3,749</u>
Scottsdale Preserve Authority			
Operating expenditures	CAFR pg. 143	\$	5
Principal	CAFR pg. 155		4,175
Interest and other charges	CAFR pg. 155		1,428
Total		\$	<u>5,608</u>
Total Expenditures not included in EEC Base Limitation:		\$	<u>29,105</u>

RECONCILIATION - NOTE B-3 - REQUIRED FEES PAID TO THE ARIZONA DEPARTMENT OF REVENUE

The subtraction of \$483 is the result of fees paid to the Arizona Department of Revenue for administrative and collection services provided to the City.

General Fund			
Total expenditures (partial)	CAFR pg. 41	\$	483

RECONCILIATION - NOTE B-5 - INVOLUNTARY COURT JUDGMENTS OR INVOLUNTARY SETTLEMENTS

The subtraction of \$356 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. 164	\$	356