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**Scottsdale Preserve Authority**  
(A Component Unit of the City of Scottsdale, Arizona)



**Annual Financial Report**  
Fiscal Year Ended June 30, 2022

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# Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2022

## Table of Contents

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position and Governmental Funds Balance Sheet .....	9
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.....	10
Notes to the Basic Financial Statements .....	11
Report on Internal Control and on Compliance Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	19

# Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2022

## Board Members

Kenneth Harder	President
Judith Frost	Vice President
Dennis Robbins	Secretary
Fredda Bisman	Treasurer
James Jenkins	Director

## Independent Auditor's Report

Board of Directors  
Scottsdale Preserve Authority

### **Report on Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Scottsdale Preserve Authority (SPA), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Scottsdale Preserve Authority, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Scottsdale Preserve Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code*, and Statement No. 98, *The Annual Comprehensive Financial Report* for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPA's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of Scottsdale Preserve Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scottsdale Preserve Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scottsdale Preserve Authority's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
September 30, 2022

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2022

As management of the Scottsdale Preserve Authority (SPA), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the SPA for the fiscal year ended June 30, 2022. The SPA is a component unit of the City of Scottsdale, Arizona (City).

## FINANCIAL HIGHLIGHTS

For the fiscal year ending 2021/22, the SPA's:

- Total assets and deferred outflows of resources were equal to total liabilities, resulting in an ending fund balance of \$0 (net position).
- Debt Service Fund reported an ending fund balance of \$0.
- Total long-term debt decreased by \$1,350,000 due to the payment of principal on outstanding debt.
- Significant bond indentures were in compliance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the SPA's basic financial statements. Because of its limited purpose, the SPA's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and (2) Notes to the Basic Financial Statements.

Because the SPA only has one governmental program, the government-wide and fund financial statements are combined.

### Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the SPA's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the SPA's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the SPA is improving or deteriorating.

The *Statement of Activities* presents information showing how the SPA's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.



# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

## Fund Financial Statements

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 SPA, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The SPA maintains two governmental funds, general fund and debt service fund. Information is presented on the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The SPA does not adopt an annual appropriated budget for its revenues and expenses. The debt service payments are budgeted as part of the City's annual budget.

## Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. Total assets and deferred outflows of resources and total liabilities of the SPA were equal at the close of the most recent fiscal year with a balance of \$0 (net position).

### Net Position

June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Noncurrent Assets	\$ 1,383,750	\$ 2,728,169
Total Assets	1,383,750	2,728,169
Deferred Outflows of Resources	-	64,874
Total Assets and Deferred Outflows of Resources	1,383,750	2,793,043
<b>LIABILITIES</b>		
Current Liabilities	1,383,750	1,345,750
Noncurrent Liabilities	-	1,447,293
Total Liabilities	1,383,750	2,793,043
<b>NET POSITION</b>		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

The SPA's total net position for fiscal year 2021/22 remains the same as the prior fiscal year at \$0.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

## Changes in Net Position

For the Fiscal Years Ended June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
<b>REVENUES</b>		
Payments Received from City of Scottsdale	\$ 40,891	\$ 104,874
Total Revenues	40,891	104,874
<b>EXPENSES</b>		
General Government	3,300	3,250
Debt Service	37,591	101,624
Total Expenses	40,891	104,874
Change in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

Revenues and expenses decreased compared to the previous fiscal year due to the reduction of long-term debt.

## Financial Analysis of the SPA's Funds

The focus of the SPA's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the SPA's ability to pay the debt service on the revenue bonds it issues to fund acquisition of preserve land or construction of land improvements.

As of the end of the fiscal year 2021/22, the SPA's governmental funds reported revenues equal to expenses and an ending fund balance of \$0. The Debt Service Fund and the General Fund each had a fund balance of \$0. The General Fund is used to pay administration expenses related to the SPA revenue bonds.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

## Debt Administration

The SPA's total long-term debt decreased by \$1,350,000 during the current fiscal year due to the payment of principal on outstanding debt. The total Excise Tax Revenue Debt at June 30, 2022, was \$0.

## Outstanding Debt

June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Excise Tax Revenue Bonds	\$ -	\$ 1,350,000

## Economic Factors

The City will continue to focus on efficient spending with projected revenue growth for the next fiscal year.

## Future Discontinuance of SPA

The SPA has no outstanding obligations. There are no plans to issue additional SPA general obligation bonds from the voter authorized but unissued authority. Pending a Board recommendation, the SPA could be eligible for dissolution in early calendar year 2023.

## Requests for Information

This financial report is designed to provide a general overview of the SPA's finances for all of those with an interest. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

# Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet  
 June 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Noncurrent Assets					
Cash, Restricted	\$ -	\$ 1,383,750	\$ 1,383,750	\$ -	\$ 1,383,750
Total Assets	<u>\$ -</u>	<u>\$ 1,383,750</u>	<u>\$ 1,383,750</u>	<u>-</u>	<u>1,383,750</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources				<u>\$ -</u>	<u>\$ 1,383,750</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Current Liabilities					
Matured Interest Payable	\$ -	\$ 33,750	\$ 33,750	\$ -	\$ 33,750
Matured Bonds Payable	-	1,350,000	1,350,000	-	1,350,000
Total Current Liabilities	<u>-</u>	<u>1,383,750</u>	<u>1,383,750</u>	<u>-</u>	<u>1,383,750</u>
Total Liabilities	<u>-</u>	<u>1,383,750</u>	<u>1,383,750</u>	<u>-</u>	<u>1,383,750</u>
Total Liabilities and Deferred Inflows of Resources		<u>1,383,750</u>	<u>1,383,750</u>	<u>-</u>	<u>1,383,750</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 1,383,750</u>	<u>\$ 1,383,750</u>		
Net Position					
Unrestricted				<u>-</u>	<u>-</u>
Total Net Position				<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Payments Received from City of Scottsdale	\$ 3,300	\$ 1,420,010	\$ 1,423,310	\$ (1,382,419)	\$ 40,891
Total Revenues	<u>3,300</u>	<u>1,420,010</u>	<u>1,423,310</u>	<u>(1,382,419)</u>	<u>40,891</u>
<b>EXPENDITURES/EXPENSES</b>					
General Government					
City Treasurer - Finance and Accounting	\$ 3,300	\$ -	\$ 3,300	\$ -	\$ 3,300
Debt Service					
Principal Retirement	-	1,350,000	1,350,000	(1,350,000)	-
Interest and Fiscal Charges	-	70,010	70,010	(32,419)	37,591
Total Expenditures/Expenses	<u>3,300</u>	<u>1,420,010</u>	<u>1,423,310</u>	<u>(1,382,419)</u>	<u>40,891</u>
Net Change in Fund Balances/Net Position	-	-	-	-	-
Fund Balances/Net Position, Beginning of Year	-	-	-	-	-
Fund Balances/Net Position, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2022

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Scottsdale Preserve Authority (SPA), a 501c3 nonprofit corporation, a component unit of the City of Scottsdale, conform to the accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the SPA follows.

During the year ended June 30, 2022, the SPA evaluated Governmental Accounting Standards Board Statements No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*, No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code* and No. 98, *The Annual Comprehensive Financial Report* and determined that they did not impact the preparation of these financial statements.

### A. Reporting Entity

The Scottsdale Preserve Authority is a nonprofit corporation created by the City in 1997 to finance land acquisitions for the McDowell Sonoran Preserve (Preserve). The Preserve was created by the City to protect the McDowell Mountains and related Sonoran desert lands and is supported by six public votes. For financial reporting purposes, transactions of the SPA are included as if the SPA were part of the City's operations. The SPA issues its own bonds which are repaid through the 0.35 percent City sales tax approved by voters. A timeline of events for the SPA follows:

- May 23, 1995, voters approved proposition 400 which stated that funds collected by a sales tax increase (0.2 percent) can be used for 4,000 acres of land acquisition only, within Scottsdale's city boundaries.
- July 1, 1995, sales tax increase went into effect.
- September 10, 1996, voters approved proposition 404 for the use of revenue bonds to acquire land, using proceeds from the sales tax increase.
- November 10, 1998, voters approved proposition 411, expanding the boundary in which the Preserve tax could be used for land acquisition to include an additional 19,940 acres.
- May 18, 2004, voters approved question 1 for a sales tax increase (0.15 percent) to be used for Preserve land acquisition and constructing land improvements.
- July 1, 2004, the additional sales tax increase went into effect.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the SPA. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The SPA had no business-type activities during the fiscal year.

Financial statements are provided for the major governmental funds, with an adjustments column to arrive at government-wide financial statement amounts.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2022

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are earned and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SPA considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Installment payments from the City associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received.

The SPA reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the SPA, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the SPA is to use restricted funds and then unassigned funds as they are needed. Currently the SPA does not have any unassigned, nonspendable, committed or assigned funds.

### D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

#### 1. Cash and Investments

As a 501c3 non-profit corporation, investments are not restricted by the Arizona Revised Statutes. The City of Scottsdale's investment policy authorizes the SPA to invest public monies in certificates of deposit, repurchase agreements, commercial paper (A-1, P-1), highly rated corporate bonds/notes, obligations of the U.S. Treasury, U.S. Government agencies, bankers' acceptances, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

Cash and investments held by trustee at June 30, 2022, plus accrued interest, is restricted as to usage.



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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2022

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2. Restricted Assets

Cash and investments held by the SPA's trustee are classified as a restricted asset on the Statement of Net Position because its use is limited by applicable bond covenants.

#### 3. Capital Assets

Land acquired and construction of land improvements by the SPA is dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the SPA owns no capital assets.

#### 4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing source. 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.

#### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The SPA has no items that qualify as a deferred outflow of resources.

The SPA has no items that qualify for reporting in this category. It is the deferred amounts on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The SPA has no items that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors has not authorized anyone to assign fund balances. Unassigned fund balances are considered the remaining amounts. The SPA has not formally adopted a spending priority policy and therefore uses the spending priority indicated in GASB Statement 54. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the SPA's practice to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, GASB Statement 54 indicates to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

#### E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

## NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Amounts Reported in the Statement of Net Position are Different Because:

Net adjustment to reduce total fund balance to arrive at net position.	\$ -
Total Fund Balance	-
<b>Total Net Position</b>	<b>\$ -</b>

### B. Amounts Reported in the Statement of Activities are Different Because:

The contractual agreement provides for repayment of debt by the City to the SPA. Thus, in the statement of activities, revenues are recorded at the inception of the agreement rather than as received. Revenues in the fund statements that provide current financial resources for payment of principal have been previously recognized as revenues in the statement of activities resulting in the following adjustments to the revenue.

Principal and premium and deferred refunding cost payment from City of Scottsdale.	\$ (1,382,419)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position.	1,350,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	32,419
Net Adjustments to Change in net position	-
Net Change in Fund Balance	-
<b>Change in Net Position</b>	<b>\$ -</b>

## NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

The SPA does not adopt an annual appropriation budget. However, debt service payments are budgeted as part of the City's annual budget.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2022

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2022, the carrying amount of the SPA's deposits and bank balance were \$1,383,750.

#### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the SPA's deposits may not be returned to it. As of June 30, 2022, \$1,383,750 of the SPA's deposits was uninsured and collateralized by securities held by the pledging bank's trust department not in the SPA's name, and therefore exposed to custodial credit risk.

#### 2. Restricted Assets

Restricted assets at June 30, 2022, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,383,750</u>

### B. Liabilities

#### Obiligations Under Long-term Debt

#### *Revenue Bonds*

The SPA issues excise tax revenue bonds to provide funds to acquire land for the McDowell Sonoran Preserve. Revenue bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually. Bonds payable at June 30, 2022, consisted of the outstanding revenue bonds presented below.

<u>Purpose</u>	<u>Bonds Outstanding</u>
2011 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued on April 6, 2011, due in annual installments of \$920,000 to \$1,350,000 through July 1, 2022; interest at 2 percent to 5 percent. Original issue amount \$12,015,000.	<u>\$ -</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The City is obligated under agreements to pay the SPA amounts sufficient to retire the SPA's bonds and related interest in exchange for the properties acquired in connection with the issuance of the bonds. The City has collateralized the SPA bonds by a pledge of the Preserve Excise Tax, which is a two-tenths (.2) of one percent (1%) transaction privilege and use tax, and a one and one half-tenths (.15) of one percent (1%) transaction privilege and use tax of the City approved by the qualified electors of the City on May 23, 1995 and May 18, 2004, respectively. The revenues generated by the Preserve Excise Tax have consistently been greater than 150 percent of the annual debt service payments on the SPA bonds as required in the agreements.

The agreements mentioned above are, in substance, long-term sales contracts for an amount equal to the SPA's bonded debt and interest thereon. Accordingly, the accompanying balance sheet reflects a receivable from the City for the present value of the amounts due, which corresponds to the principal portion of the bonded debt payable.

The SPA bond issuances contain the following provisions that would constitute an event of default.

- Non-punctual payment of principal or interest.
- Default in the performance or observance of any covenant, agreement, or condition in the indenture or in the bonds not cured within 60 days of notice of default. The SPA is also considered to be in default if the issue is not curable within 60 days and corrective action is not diligently pursued to the satisfaction of the trustee within 60 days.
- Bankruptcy, insolvency, and/or receivership.
- Default on any bonds which are on a parity basis with the bonds in question.

If any of the events of default transpire, the SPA bond trustee may file a suit or suits in equity or at law and appoint a receiver to collect and properly disburse pledged SPA revenues for debt service payments. Any amounts recovered through such proceedings shall be paid first to the costs and expenses incurred by the trustee, its agents, attorneys and counsel, and of all proper expenses, liabilities and advances incurred or made by the trustee or any registered owner(s) of the bonds in question. If a residual amount were to remain, it would be applied to the then-owed or unpaid amount related to the bonds. If insufficient funds were to exist, the residual amount would be allocated on a pro-rata basis to the then-owed or unpaid amount related to the bonds.

### *Changes in Long-term Liabilities*

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Excise Tax Revenue Bonds	\$ 1,350,000	\$ -	\$ (1,350,000)	\$ -	\$ -
Issuance Premium	97,293	-	(97,293)	-	-
Total	<u>\$ 1,447,293</u>	<u>\$ -</u>	<u>\$ (1,447,293)</u>	<u>\$ -</u>	<u>\$ -</u>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

### NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

There are no annual debt service requirements to maturity for revenue bonds.

### NOTE 5 – OTHER INFORMATION

#### A. Risk Management

The SPA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The SPA does not have separate insurance coverage but is included under the City of Scottsdale, Arizona's risk management.

#### B. Future Discontinuance of SPA

The SPA has no outstanding obligations. There are no plans to issue additional SPA general obligation bonds from the voter authorized but unissued authority. Pending a Board recommendation and City Council approval the SPA could be eligible for dissolution in early calendar year 2023.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors  
Scottsdale Preserve Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Scottsdale Preserve Authority, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Scottsdale Preserve Authority's basic financial statements and have issued our report thereon dated September 30, 2022. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Ommibus 2020*, Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code*, and Statement No. 98, *The Annual Comprehensive Financial Report*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scottsdale Preserve Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scottsdale Preserve Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Scottsdale Preserve Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scottsdale Preserve Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
September 30, 2022