

CITY OF SCOTTSDALE, ARIZONA

ANNUAL EXPENDITURE LIMITATION REPORT

FISCAL YEAR ENDED JUNE 30, 2022

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

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, 2022, 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. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
February 2, 2023

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2022
(in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$ 536,011
2. Voter-approved alternative expenditure limitation	<u>N/A</u>
3. Enter applicable amount from line 1 or line 2	<u>\$ 536,011</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$ 495,028
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>495,028</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>\$ 495,028</u>
11. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)	<u>\$ 40,983</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: 

Name and Title: Sonia Andrews, City Treasurer/Chief Financial Officer

Telephone Number (480) 312-2364

Date: 2/7/2023

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2022
(in thousands of dollars)

	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 573,189	\$ 213,019	\$ 68,399	\$ -	\$ 854,607
B. Less exclusions claimed:					
1. Debt proceeds (Part II, Note B-1)	31,102	-	-	-	31,102
2. Debt service requirements (Part II, Note B-2)	84,708	31,598	-	-	116,306
3. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-3)	3,476	1,340	-	-	4,816
4. Trustee or custodian (Part II, Note B-4)	-	-	-	-	-
5. Grants and aid from the Federal Government (Part II, Note B-5)	24,528	334	-	-	24,862
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)	2,038	-	-	-	2,038
7. Amounts received from the State of Arizona (Part II, Note B-7)	1,397	-	-	-	1,397
8. Quasi-external interfund transactions (Part II, Note B-8)	7,217	-	58,311	-	65,528
9. Voter-approved amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-9)	45,424	48,755	-	-	94,179
10. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-10)	15,300	-	-	-	15,300
11. Contracts with other political subdivisions (Part II, Note B-11)	1,413	-	-	-	1,413
12. Refunds, reimbursements, and other recoveries (Part II, Note B-12)	2,638	-	-	-	2,638
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:	219,241	82,027	58,311	-	359,579
C. Amounts subject to expenditure limitation	\$ 353,948	\$ 130,992	\$ 10,088	\$ -	\$ 495,028

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2022
(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, ACFR pgs. 42 and 50).	\$ 583,195	\$ 199,709	\$ 76,711	\$ -	\$ 859,615
B.	Subtractions:					
1.	Items not requiring use of current financial resources:					
a.	Depreciation and amortization (ACFR pg. 50)	\$ -	\$ 62,154	\$ 10,443	\$ -	\$ 72,597
b.	Loss on disposal of capital assets (ACFR pg. 50)	-	1,409	391	-	1,800
c.	Bad debt expense	-	-	-	-	-
d.	Pension expense (ACFR pg. 50 (included in operating expense)), fire insurance premium tax (ACFR pg. 42 (included in total expenditures)) and other postemployment benefits expense (OPEB) (n/a)	2,002	1,871	233	-	4,106
e.	Claims incurred but not reported (IBNR) (ACFR pg. 109)	-	-	26,029	-	26,029
f.	Landfill closure and post closure care costs and pollution remediation	-	-	-	-	-
2.	Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).	27,177	-	-	-	27,177
3.	Required fees paid to the Industrial Commission of Arizona (Reconciliation, Note B-3).	-	-	668	-	668
4.	Present value of net minimum lease, subscription-based IT arrangement, and installment purchase contract payments recorded as expenditures at inception of the agreement (Reconciliation, Note B-4).	2,828	-	-	-	2,828
5.	Involuntary court judgements (Reconciliation, Note B-5).	-	-	2,069	-	2,069
6.	Total subtractions	\$ 32,007	\$ 65,434	\$ 39,833	\$ -	\$ 137,274
C.	Additions:					
1.	Principal payments on long-term debt (Part II-Note B-2)	\$ -	\$ 22,255	\$ -	\$ -	\$ 22,255
2.	Acquisition of capital assets (ACFR pg. 52)	-	53,442	8,057	-	61,499
3.	Amounts paid in the current year but reported as expenses in previous years:					
	Claims previously recognized as IBNR (ACFR pg. 109)	-	-	22,981	-	22,981
	Landfill closure and post closure care costs and pollution remediation (N/A)	-	-	-	-	-
4.	Pension contributions (ACFR pg. 53) and OPEB contributions (N/A) paid in the current year	-	3,047	483	-	3,530
5.	Total amount transferred to a separate legal entity from city monies (ACFR pg. 164)	22,001	-	-	-	22,001
6.	Total additions	22,001	78,744	31,521	-	132,266
D.	Amounts reported on Part II, line A	\$ 573,189	\$ 213,019	\$ 68,399	\$ -	\$ 854,607

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2022
(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; and the Statement of Cash Flows for the proprietary funds.

PART II - NOTE B-1 - DEBT PROCEEDS

Governmental Funds

General Obligation Bond Construction Fund expenditures that were paid from bond proceeds	ACFR pg. 169	\$	31,102
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PART II - NOTE B-2 - DEBT SERVICE REQUIREMENTS

Governmental Funds

Debt Service (General Obligation Bond)

Principal (net of SBITAs, SCAs)	ACFR pg. 42	\$	49,340
Interest and fiscal charges (net of SBITAs, SCAs)	ACFR pg. 42		12,264
			<u>61,604</u>

Debt Service (Municipal Property Corporation)

Principal (partially funded by transfer from governmental funds)	ACFR pg. 164	\$	14,685
Interest and fiscal charges (funded by transfer from governmental funds)	ACFR pg. 164		5,896
			<u>20,581</u>

Debt Service (Scottsdale Preserve Authority)

Principal (funded by transfer from governmental funds)	ACFR pg. 164	\$	1,350
Interest and fiscal charges (funded by transfer from governmental funds)	ACFR pg. 164		70
			<u>1,420</u>

General Fund:

Principal (partial)	ACFR pg. 42	\$	1,045
Interest (partial)	ACFR pg. 42		58
			<u>1,103</u>

Total Governmental Funds Debt Service Requirements		\$	<u>84,708</u>
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Enterprise Funds:

Principal Payments on Long-Term Debt (net of SBITAs)	ACFR pg. 52	\$	22,255
Interest Payments on Long-Term Debt (net of SBITAs)	ACFR pg. 50		9,343
Total Principal & Interest on Long-Term Debt		\$	<u>31,598</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2022
(in thousands of dollars)

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

General Fund:		
Interest earnings (partial, excludes leases)	ACFR pg. 41	\$ 3,354
Special Revenue Funds:		
Special Programs - Interest earnings	ACFR pg. 152	\$ 81
Stadium Fund- Interest earnings	ACFR pg. 152	41
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities		<u>\$ 3,476</u>
Enterprise Funds Investment Income:		
Investment Income (partial)	ACFR pg. 50	<u>\$ 1,340</u>

PART II - NOTE B-4 - TRUSTEE OR CUSTODIAN

Fiduciary Funds - deductions	N/A	<u>\$ -</u>
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PART II - NOTE B-5 - GRANTS AND AID FROM FEDERAL GOVERNMENT

Governmental Funds:		
Governmental Funds (included in intergovernmental miscellaneous)	ACFR pg. 41	\$ 597
Special Revenue Funds:		
CDBG-Grants and aid from federal government	ACFR pg. 151	\$ 960
HOME-Grants and aid from federal government	ACFR pg. 151	269
Grants-Grants and aid from federal government	ACFR pg. 151	16,638
Section 8-Grants and aid from federal government	ACFR pg. 151	6,157
Section 8-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(93)
		<u>\$ 24,528</u>
Enterprise Funds		
Grants and aid from the Federal Government		
(Federal portion of operating grants of \$334 included in Statement of Cash Flows (ACFR pg. 52))		<u>\$ 334</u>

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

Governmental Funds		
Grants Fund - grants/donations	ACFR pg. 151	\$ 1,114
Special Programs Fund - grants/donations	ACFR pg. 152	859
Stadium Facility Fund- contributions/donations	ACFR pg. 152	65
Total expenditures from grants and donations from private donors		<u>\$ 2,038</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2022
(in thousands of dollars)

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

Governmental Funds

Grants Fund	ACFR pg. 151	\$	367
Special Programs (included in intergovernmental miscellaneous)	ACFR pg. 152		1,030
Total expenditures of amounts received from the State		\$	<u>1,397</u>

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

The following expenses/expenditures are from amounts included in General Fund, 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.

Enterprise Funds expenses included in General Fund - indirect costs	ACFR pg. 41, 50	\$	<u>7,217</u>
	ACFR pg.174 charges for sales and		
Governmental Fund and Enterprise expenses included in Internal Service Fund revenues	services/billings	\$	59,862
Fleet Management (non-excludable amount; to be carried forward)			(1,551)
		\$	<u>58,311</u>

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

Governmental Funds

Capital Improvement Expenditures			
General CIP Construction Capital Project Fund	ACFR pg. 42	\$	17,664
Preserve Privilege Tax Capital Project Fund	ACFR pg. 169		1,360
Transportation Privilege Tax Capital Project Fund	ACFR pg. 169		15,753
External Sources Capital Project Fund	ACFR pg. 169		17,125
Less: Furniture, Machinery & Equipment purchases, operating expenses			(6,478)
Total amount accumulated for construction		\$	<u>45,424</u>

Enterprise Funds

Capital improvements purchases	ACFR pg. 52	\$	53,442
Less: Furniture, Machinery & Equipment purchases			(4,687)
Total amount accumulated for construction		\$	<u>48,755</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, 2022
(in thousands of dollars)

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

Total HURF revenue	ACFR pg. 151	\$	18,988
Less:			
1979-80 HURF base			(1,467)
Maximum HURF exclusion available		\$	<u>17,521</u>
Total HURF expenditures (partial)	ACFR pg. 151	\$	15,451
Less:			
Maximum HURF exclusion available			(17,521)
Reimbursements from Outside Sources/Other Financing Sources	ACFR pg. 151		<u>(151)</u>
Total HURF expenditures not covered by non-local revenue		\$	<u>(2,221)</u>
HURF exclusion claimed		\$	<u>15,300</u>
HURF carryforward		\$	<u>2,221</u>

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

Governmental Funds

General Fund - intergovernmental miscellaneous (partial)	ACFR pg. 41	\$	<u>1,413</u>
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PART II - NOTE B-12 - REFUNDS, REIMBURSEMENTS, AND OTHER RECOVERIES

Governmental Funds

General Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	ACFR pg. 41	\$	2,151
Transportation Fund - reimbursements from outside sources and intergovernmental miscellaneous	ACFR pg. 151		156
Section 8 Housing Fund - reimbursements from outside sources	ACFR pg. 151		3
Special Programs Fund - reimbursements from outside sources	ACFR pg. 152		205
Tourism Development Fund - reimbursements from outside sources	ACFR pg. 152		38
Stadium Fund - reimbursements from outside sources	ACFR pg. 152		88
Section 8 Housing Fund- reimb. from outside sources (non-excludable amount; to be carried forward)	ACFR pg. 151		<u>(3)</u>
		\$	<u>2,638</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2022
(in thousands of dollars)

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

Governmental Funds:			
Total expenditures	ACFR pg. 42	\$	583,195
Enterprise Funds:			
Total operating expenses	ACFR pg. 50	\$	188,955
Interest paid	ACFR pg. 50		9,345
Loss on sale of fixed assets	ACFR pg. 50		1,409
Total expenses		\$	199,709
Internal Service Funds:			
Total operating expenses	ACFR pg. 50	\$	76,320
Loss on sale of fixed assets	ACFR pg. 50		391
Total expenses		\$	76,711

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

The \$27,177 subtraction 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 fund financial statements:

Streetlight and Service Districts	ACFR pg. 152	\$	535
Municipal Property Corporation			
Principal	ACFR pg. 164	\$	14,685
Interest and other charges	ACFR pg. 164		5,896
Capital project expenditures	ACFR pg. 169		1,423
Total		\$	22,004
Community Facilities Districts			
Operating expenditures	ACFR pg. 151-152	\$	108
Principal	ACFR pg. 164		2,767
Interest and other charges	ACFR pg. 164		339
Total		\$	3,214
Scottsdale Preserve Authority			
Operating expenditures	ACFR pg. 151	\$	4
Principal	ACFR pg. 164		1,350
Interest and other charges	ACFR pg. 164		70
Total		\$	1,424
Total Expenditures not included in EEC Base Limitation:		\$	27,177

RECONCILIATION - NOTE B-3 - REQUIRED FEES PAID TO THE INDUSTRIAL COMMISSION OF ARIZONA

The subtraction of \$668 is the result of the State fees paid to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund.

Internal Service Funds			
Operating expenses included in the Internal Service Funds (partial)	ACFR pg. 174	\$	668

RECONCILIATION - NOTE B-4 - PRESENT VALUE OF NET MINIMUM LEASE, SUBSCRIPTION-BASED IT ARRANGEMENT, AND INSTALLMENT PURCHASE CONTRACT PAYMENTS RECORDED AS EXPENDITURES AT INCEPTION OF THE AGREEMENT

The subtraction of \$2,828 is the result of leases for financed purchases, subscription-based IT arrangements, and installment purchase contract payments at their inception.

General Fund	ACFR pg. 42	\$	1,689
Transportation Fund	ACFR pg. 151		114
Special Programs	ACFR pg. 152		944
Stadium Facility	ACFR pg. 152		81
		\$	2,828

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

The subtraction of \$2,069 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)	ACFR pg. 174	\$	2,069