

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona
and the City Manager and Chief Financial Officer
of the City of Scottsdale, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (Report) of the City of Scottsdale, Arizona, for the year ended June 30, 2014. This report is the responsibility of the City of Scottsdale, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

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

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

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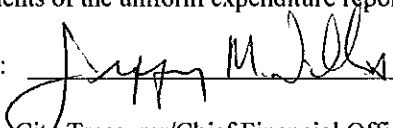
Phoenix, Arizona
February 2, 2015

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2014
(in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	421,833
2. Voter-approved alternative expenditure limitation		<u>N/A</u>
3. Enter applicable amount from line 1 or line 2	\$	421,833
4. Amount subject to the expenditure limitation (total expenditures and expenses from Part II, Line C)	\$	367,699
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)		-
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec 20(2)(b), Arizona Constitution)		-
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec 20(2)(c), Arizona Constitution)		-
8. Qualifying capital improvement expenditures repaid in accordance with A.R.S. Sec. 41-1279.07(I)		<u>-</u>
9. Adjusted expenditures subject to expenditure limitation; subtract lines 5, 6, 7, 8 from line 4	\$	<u>367,699</u>
10. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec 20(2)(b), Arizona Constitution)		<u>-</u>
11. Total adjusted expenditures subject to expenditure limitation; add lines 9 and 10		<u>\$ 367,699</u>
12. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)		<u>\$ 54,134</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 Financial Officer: _____



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

Telephone Number (480) 312-2364

Date: 2/10/15

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2014
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 528,176	\$ 144,586	\$ 49,457	\$ 4	\$ 722,223
B. Less exclusions claimed:					
1. a. Bond proceeds (Part II, Note B-1a)	85,646	-	-	-	85,646
b. Debt service requirements on bonded indebtedness (Part II, Note B-1b)	66,932	24,889	-	-	91,821
c. Proceeds from other long-term obligations (Part II, Note B-1c)	-	-	-	-	-
d. Debt service requirements on other long-term obligations (Part II, Note B-1d)	2,697	-	-	-	2,697
2. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-2)	1,804	1,407	-	-	3,211
3. Trustee or custodian (Part II, Note B-3)	-	-	-	4	4
4. Grants and aid from the Federal Government (Part II, Note B-4)	10,753	-	-	-	10,753
5. Grants, aid, contributions, or gifts from private agency or organization or individual except amounts received in lieu of taxes. (Part II, Note B-5)	1,729	-	-	-	1,729
6. Amounts received from the State (Part II, Note B-6)	372	-	-	-	372
7. Quasi-external interfund transactions (Part II, Note B-7)	7,102	-	42,292	-	49,394
8. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-8)	84,366	9,318	-	-	93,684
9. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-9)	10,801	-	-	-	10,801
10. Contracts with other political subdivisions (Part II, Note B-10)	1,323	-	-	-	1,323
11. Refunds, reimbursements, and other recoveries (Part II, Note B-11)	3,089	-	-	-	3,089
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward (Part II, Note B-13)	-	-	-	-	-
14. Total Exclusions Claimed:	276,614	35,614	42,292	4	354,524
C. Amounts subject to expenditure limitation	\$ 251,562	\$ 108,972	\$ 7,165	\$ -	\$ 367,699

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2014
(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. 38, 46, and 51).	\$ 579,423	\$ 160,552	\$ 54,140	\$ 4	\$ 794,119
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation and amortization (CAFR pg. 46)	\$ -	\$ 47,767	\$ 4,728	\$ -	\$ 52,495
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Other postemployment benefits expense	-	-	-	-	-
Claims incurred but not reported (CAFR pg. 92)	-	-	15,663	-	15,663
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).	50,951	-	-	-	50,951
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreement (Reconciliation, Note B-3).	296	-	-	-	296
4. Involuntary court judgements (Reconciliation, Note B-4).	-	-	632	-	632
5. Total Subtractions	\$ 51,247	\$ 47,767	\$ 21,023	\$ -	\$ 120,037
C. Additions:					
1. Principal payments on long-term debt (Part II-Note B-1b)	\$ -	\$ 12,335	\$ -	\$ -	\$ 12,335
2. Acquisition of capital assets (CAFR pg. 48)	-	19,466	3,458	-	22,924
3. Other postemployment benefits paid in the current year but reported as expenses in previous years	-	-	-	-	-
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years. (CAFR pg. 92)	-	-	12,882	-	12,882
5. Landfill closure and postclosure care costs recorded as expended in previous years (N/A)	-	-	-	-	-
6. Total Additions	-	31,801	16,340	-	48,141
D. Amounts reported on Part II, line A	\$ 528,176	\$ 144,586	\$ 49,457	\$ 4	\$ 722,223

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2014
 (in thousands of dollars)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

PART II - NOTE B-1a - BOND PROCEEDS

Governmental Funds			
G.O. Bond Debt Service Fund payment to refunding escrow agent	CAFR pg. 38	\$	85,646

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

Governmental Funds			
Debt Service (General Obligation Bond)			
Principal	CAFR pg. 38	\$	42,114
Interest and bond issuance costs	CAFR pg. 38		24,818
		\$	<u>66,932</u>
Enterprise Funds:			
Principal Payments on Long-Term Debt	CAFR pg. 48	\$	12,335
Interest Payments on Long-Term Debt	CAFR pg. 46		12,554
Total Principal & Interest on Long-Term Debt		\$	<u>24,889</u>

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

General Fund:			
Principal (partial)	CAFR pg. 38	\$	2,228
Interest (partial)	CAFR pg. 38		469
Total debt service on General Fund other long-term obligations		\$	<u>2,697</u>

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2014
 (in thousands of dollars)

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

General Fund:		
Current Year Interest Earnings	CAFR pg. 37	\$ 1,767
Special Revenue Funds:		
Special Programs - Interest Earnings	CAFR pg. 114	37
Deduct current year interest earnings carried forward		<u>-</u>
Current Year Interest Earnings		<u>\$ 37</u>
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities Carryforward:		<u>\$ 1,804</u>
Enterprise Funds Investment Income:		
Current Year Interest Earnings		<u>\$ 1,407</u>

PART II - NOTE B-3 - TRUSTEE OR CUSTODIAN

Fiduciary Funds - deductions	CAFR pg. 51	<u>\$ 4</u>
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PART II - NOTE B-4 - GRANTS AND AID FROM FEDERAL GOVERNMENT

Special Revenue Funds:		
Highway User Fuel Tax-Grants and aid from Federal Government	CAFR pg. 113	\$ 402
CDBG-Grants and aid from Federal Government	CAFR pg. 113	1,064
HOME-Grants and aid from Federal Government	CAFR pg. 113	94
Grants-Grants and aid from Federal Government	CAFR pg. 113	725
Section 8-Grants and aid from Federal Government	CAFR pg. 113	4,650
Governmental Funds-Intergovernmental Miscellaneous (partial)		<u>3,818</u>
		<u>\$ 10,753</u>

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

Governmental Funds		
General Fund - included in intergovernmental miscellaneous	CAFR pg. 37	\$ 2
Grants Fund - contributions/donations	CAFR pg. 113	1,290
Special Programs Fund - contributions and donations (partial)	CAFR pg. 114	<u>437</u>
Total expenditures from grants, aid, and contributions		<u>\$ 1,729</u>

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2014
 (in thousands of dollars)

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

Governmental Funds		
Grants Fund	CAFR pg. 113	\$ 372
Total expenditures and amounts received from the State		<u>\$ 372</u>

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

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

	CAFR pg.133 charges for sales and services/billings	\$ 45,640
Governmental Fund and Enterprise expenses included in Internal Service Fund revenues		(3,016)
Fleet Management (non-excludable amount; to be carried forward)		(332)
Computer Replacement (non-excludable amount; to be carried forward)		<u>\$ 42,292</u>
Enterprise Funds expenses included in General Fund - indirect costs	CAFR pg. 37, 46	\$ 6,556
Enterprise Funds expenses included in Highway User Fuel Tax Fund - indirect costs	CAFR pg. 113, 46	546
		<u>\$ 7,102</u>

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

Governmental Funds		
Capital Improvement Expenditures		
General CIP Construction Capital Project Fund	CAFR pg. 38	\$ 64,602
Preserve Privilege Tax Capital Project Fund	CAFR pg. 130	15,579
Transportation Privilege Tax Capital Project Fund	CAFR pg. 130	19,541
Less: Furniture, Machinery & Equipment purchases, operating expenses		(15,356)
Total amount accumulated for construction		<u>\$ 84,366</u>
Enterprise Funds		
Capital improvements purchases	CAFR pg. 48	\$ 19,466
Capital contributions to joint venture	CAFR pg. 46	-
Less bond proceeds	CAFR pg. 47	-
Less: Furniture, Machinery & Equipment purchases, operating expenses		(10,148)
Total amount accumulated for construction		<u>\$ 9,318</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, 2014
(in thousands of dollars)

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

Total HURF revenue	CAFR, pg. 113	\$ 12,268
Less:		
1979-80 HURF base		(1,467)
Maximum HURF exclusion available		<u>\$ 10,801</u>
 Total HURF expenditures	CAFR, pg. 113	 \$ 21,966
Less:		
Maximum HURF exclusion available		(10,801)
Federal grants	CAFR, pg. 113	(402)
Contracts with other political subdivisions (included in intergovernmental misc.)	CAFR, pg. 113	(185)
Reimbursements from Outside Sources (includes portion in intergovt. misc.)	CAFR, pg. 113	(546)
Indirect Costs	CAFR, pg. 113	(546)
Total HURF expenditures not covered by non-local revenue		<u>\$ 9,486</u>
 HURF exclusion claimed		 <u>\$ 10,801</u>
 HURF carryforward		 <u>\$ -</u>

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

Governmental Funds		
General Fund - intergovernmental miscellaneous (partial)		\$ 1,082
Highway User Fuel Tax Fund - Contracts with other political subdivisions (included in intergovernmental misc.)		185
Special Programs Fund - intergovernmental miscellaneous (partial)		56
		<u>\$ 1,323</u>

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

Governmental Funds		
General Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	CAFR, pg. 37	\$ 1,928
Highway User Fuel Tax Fund - reimbursements from outside sources and partial intergovernmental miscellaneous	CAFR, pg. 113	546
Section 8 Housing Fund - reimbursements from outside sources	CAFR, pg. 113	1
Special Programs Fund - reimbursements from outside sources	CAFR, pg. 114	598
Tourism Development Fund - reimbursements from outside sources	CAFR, pg. 114	16
		<u>\$ 3,089</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014
(in thousands of dollars)

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

Governmental Funds:			
Total expenditures	CAFR pg. 38	\$	471,324
Payment to bond refunding escrow agent	CAFR pg. 38		108,099
Total expenses		\$	<u>579,423</u>
Enterprise Funds:			
Total operating expenses	CAFR pg. 46	\$	147,998
Interest paid	CAFR pg. 46		12,554
Total expenses		\$	<u>160,552</u>

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

The subtraction of \$50,951 for separate legal entities established under Arizona Revised Statutes consists of expenditures of streetlight and service districts, community facility districts, a preserve authority, and a municipal property corporation included within the city/town's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the general purpose financial statements:

Streetlight and Service District	CAFR pg. 114	\$	576
Municipal Property Corporations			
Operating expenditures		\$	-
Principal	CAFR pg. 125		8,440
Interest and other charges	CAFR pg. 125		9,270
Payment to bond refunding escrow agent	CAFR pg. 125		22,453
Total		\$	<u>40,163</u>
Community Facilities Districts			
Operating expenditures	CAFR pg. 113-114	\$	109
Principal	CAFR pg. 125		2,491
Interest and other charges	CAFR pg. 125		1,132
Total		\$	<u>3,732</u>
Scottsdale Preserve Authority			
Operating expenditures	CAFR pg. 113	\$	4
Principal	CAFR pg. 125		3,960
Interest and other charges	CAFR pg. 125		2,516
Total		\$	<u>6,480</u>
Total Expenditures not included in EEC Base Limitation:			<u>\$ 50,951</u>

RECONCILIATION - NOTE B-3 - PRESENT VALUE OF NET MINIMUM CAPITAL LEASE AND INSTALLMENT PURCHASE CONTRACT PAYMENTS RECORDED AS EXPENDITURES AT INCEPTION OF THE AGREEMENT

General Fund	CAFR pg. 38	296
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RECONCILIATION - NOTE B-4 - INVOLUNTARY COURT JUDGMENTS OR INVOLUNTARY SETTLEMENTS

The subtraction of \$632 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. 133	\$	632