



CITY AUDITOR

7447 E. Indian School Rd, Suite 205
Scottsdale, AZ 85251

PHONE 480-312-7756
WEB ScottsdaleAZ.gov
INTEGRITY LINE 480-312-8348

Date: March 17, 2025
To: Honorable Mayor and Members of the City Council
From: Lai Cluff, Acting City Auditor
Subject: Report No. 2501.01, *Fiscal Year 2023/24 Annual Expenditure Limitation Report*

Enclosed is the FY 2023/24 Annual Expenditure Limitation Report (AELR), with the accompanying independent accountant's report, which is required to satisfy a state reporting requirement.

Arizona Revised Statutes §41-1279.07 requires the certified public accountant performing a city's audit to attest to its AELR. Accordingly, the City's audit firm for the FY 2023/24 annual comprehensive financial report, Heinfeld, Meech and Co., P.C., performed this attestation examination. The AELR, with the independent accountant's report, is then required to be filed with the state Auditor General's office. The City Treasurer's office submitted this AELR to the Auditor General's office on February 11, 2025.

The City Auditor's Office manages the City's audit contract and submits the resulting reports to the Audit Committee and then to the City Council for review. The audit reports were presented to Council in December, and the AELR and related review are typically completed and submitted in the following January or February.

Arizona Revised Statutes §9-481 requires the AELR to be posted on the City's website. Therefore, we post the AELR on the Audit Reports webpage where the associated annual financial audit reports are currently available. As well, the City Treasurer's office posts the AELR with the annual financial reports.

If you have any questions or need additional information, please feel free to contact me at (480)312-7851 or lcluff@scottsdaleaz.gov.

Annual Expenditure Limitation Report



City of Scottsdale, Arizona
For the Fiscal Year Ended June 30, 2024

CITY OF SCOTTSDALE, ARIZONA

ANNUAL EXPENDITURE LIMITATION REPORT

FISCAL YEAR ENDED JUNE 30, 2024

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2024

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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, 2024, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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
January 31, 2025

CITY OF SCOTTSDALE, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 FISCAL YEAR ENDED JUNE 30, 2024
 (in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	586,301
2. Voter-approved alternative expenditure limitation		N/A
3. Enter applicable amount from line 1 or line 2		\$ 586,301
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$	552,958
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. Subtotal		552,958
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)		-
10. Total adjusted amount subject to expenditure limitation; add lines 8 and 9		\$ 552,958
11. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)		\$ 33,343

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: 2/4/25

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2024
(in thousands of dollars)

	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 703,460	\$ 274,804	\$ 82,300	\$ -	\$ 1,060,564
B. Less exclusions claimed:					
1. Debt proceeds (Part II, Note B-1)	35,469	-	-	-	35,469
2. Debt service requirements (Part II, Note B-2)	91,525	32,501	-	-	124,026
3. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-3)	13,164	5,656	-	-	18,820
4. Trustee or custodian (Part II, Note B-4)	-	-	-	-	-
5. Grants and aid from the Federal Government (Part II, Note B-5)	12,650	5,339	-	-	17,989
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)	2,295	1	-	-	2,296
7. Amounts received from the State of Arizona (Part II, Note B-7)	2,114	-	-	-	2,114
8. Quasi-external interfund transactions (Part II, Note B-8)	8,313	-	75,265	-	83,578
9. Voter-approved amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-9)	108,613	92,360	-	-	200,973
10. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-10)	17,276	-	-	-	17,276
11. Contracts with other political subdivisions (Part II, Note B-11)	1,572	-	-	-	1,572
12. Refunds, reimbursements, and other recoveries (Part II, Note B-12)	2,727	19	747	-	3,493
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:	295,718	135,876	76,012	-	507,606
C. Amounts subject to expenditure limitation	\$ 407,742	\$ 138,928	\$ 6,288	\$ -	\$ 552,958

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2024
(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).	\$ 734,742	\$ 223,806	\$ 79,670	\$ -	\$ 1,038,218
B. Subtractions:					
1. Items not requiring use of current financial resources:					
a. Depreciation and amortization (ACFR pg. 50)	\$ -	\$ 68,143	\$ 11,646	\$ -	\$ 79,789
b. Loss on disposal of capital assets (ACFR pg. 50)	-	137	-	-	137
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)	2,754	4,136	769	-	7,659
e. Claims incurred but not reported (IBNR) (ACFR pg. 111)	-	-	20,958	-	20,958
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).	21,558	-	-	-	21,558
3. Required fees paid to the Industrial Commission of Arizona (Reconciliation, Note B-3).	-	-	618	-	618
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).	15,798	-	-	-	15,798
5. Involuntary court judgements (Reconciliation, Note B-5).	9,920	-	1,255	-	11,175
6. Total subtractions	\$ 50,030	\$ 72,416	\$ 35,246	\$ -	\$ 157,692
C. Additions:					
1. Principal payments on long-term debt (Part II-Note B-2)	\$ -	\$ 25,178	\$ -	\$ -	\$ 25,178
2. Acquisition of capital assets/investment in joint venture (ACFR pg. 52)	-	94,717	16,173	-	110,890
3. Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (ACFR pg. 111)	-	-	21,145	-	21,145
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	-	3,519	558	-	4,077
5. Total amount transferred to a separate legal entity from city monies (ACFR pg. 166)	18,748	-	-	-	18,748
6. Total additions	18,748	123,414	37,876	-	180,038
D. Amounts reported on Part II, line A	\$ 703,460	\$ 274,804	\$ 82,300	\$ -	\$ 1,060,564

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2024
(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. 170	\$ 35,469
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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	\$ 60,505
Interest and issuance charges (net of SBITAs, SCAs)	ACFR pg. 42	12,206
		72,711

Debt Service (Municipal Property Corporation)

Principal (partially funded by transfer from governmental funds)	ACFR pg. 166	\$ 13,935
Interest and fiscal charges (funded by transfer from governmental funds)	ACFR pg. 166	4,813
		18,748

General Fund:

Principal (partial)	ACFR pg. 42	\$ 22
Interest (partial)	ACFR pg. 42	44
		66

Total Governmental Funds Debt Service Requirements		\$ 91,525
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Enterprise Funds:

Principal Payments on Long-Term Debt (net of SBITAs & Leases)	ACFR pg. 52	\$ 25,178
Interest Payments on Long-Term Debt (net of SBITAs & Leases)	ACFR pg. 52	7,323
Total Principal & Interest on Long-Term Debt		\$ 32,501

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2024
(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	\$ 9,751
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Special Revenue Funds:

Tourism-Interest Earnings	ACFR pg. 154	\$ 498
Transportation - Interest Earnings	ACFR pg. 153	2,562
Special Programs - Interest earnings	ACFR pg. 154	208
Stadium Fund- Interest earnings	ACFR pg. 154	145
Total Special Revenue Fund		\$ 3,413

Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities		\$ 13,164
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Enterprise Funds:

Investment Income (partial)	ACFR pg. 50	\$ 5,656
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PART II - NOTE B-4 - TRUSTEE OR CUSTODIAN

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

Governmental Funds:

General Fund (included in intergovernmental miscellaneous)	ACFR pg. 41	\$ 145
Special Programs Fund (included in intergovernmental miscellaneous)	ACFR pg. 153	707
		\$ 852

Special Revenue Funds:

CDBG-Grants and aid from federal government partial	ACFR pg. 42, 153	\$ 1,697
HOME-Grants and aid from federal government	ACFR pg. 153	310
Grants-Grants and aid from federal government partial	ACFR pg. 42, 153	1,535
Housing Choice Voucher-Grants and aid from federal government	ACFR pg. 153	8,578
Housing Choice Voucher-Grants and aid from federal government (non-excludable amount; to be carried forward)		(12)
CDBG-Grants and aid from Federal Government (non-excludable amount; to be carried forward)		(310)
		\$ 11,798

Enterprise Funds:

Water and Sewer- Other Operating Revenue (partial)	ACFR pg. 50	\$ 5,339
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PART II - NOTE B-6 - GRANTS AND DONATIONS FROM PRIVATE DONORS

Governmental Funds

General Fund - Reimbursement from outside sources (partial)	ACFR pg. 41	\$ 1
Grants Fund - grants/donations	ACFR pg. 153	1,664
Special Programs Fund - grants/donations	ACFR pg. 154	563
Stadium Facility Fund- contributions/donations	ACFR pg. 154	67
Total expenditures from grants and donations from private donors		\$ 2,295

Enterprise Funds

Water and Sewer- Other Operating Revenue (partial)		
Total expenditures from grants and donations from private donors	ACFR pg. 50	\$ 1

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2024
(in thousands of dollars)

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

Governmental Funds

Grants Fund	ACFR pg. 153	\$ 1,653
Special Programs (included in intergovernmental miscellaneous)	ACFR pg. 154	461
Total expenditures of amounts received from the State		<u>\$ 2,114</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>\$ 8,313</u>
	ACFR pg.175 charges for sales and	
Governmental Fund and Enterprise expenses included in Internal Service Fund revenues	services/billings	\$ 75,681
Computer Replacement (non-excludable amount; to be carried forward)		(416)
		<u>\$ 75,265</u>

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

Governmental Funds

Capital Improvement Expenditures		
General CIP Construction Capital Project Fund	ACFR pg. 42	\$ 54,901
Transportation Capital Project Fund	ACFR pg. 42	34,559
External Sources Capital Project Fund	ACFR pg. 42	39,966
Preserve Privilege Tax Capital Project Fund	ACFR pg. 170	1,033
Less: Furniture, Machinery & Equipment purchases/sale of capital assets		(21,846)
Total amount accumulated for construction		<u>\$ 108,613</u>

Enterprise Funds

Capital improvements purchases	ACFR pg. 52	\$ 93,568
Less: Furniture, Machinery & Equipment purchases		(1,208)
Total amount accumulated for construction		<u>\$ 92,360</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, 2024
(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. 153	\$ 18,743
Less:		
1979-80 HURF base		(1,467)
Maximum HURF exclusion available		<u>17,276</u>
Total HURF expenditures (partial)	ACFR pg. 153	\$ 17,880
Less:		
Maximum HURF exclusion available		(17,276)
Total HURF expenditures not covered by non-local revenue		<u>604</u>
HURF exclusion claimed		<u>17,276</u>
HURF carryforward		<u>\$ -</u>

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

Governmental Funds		
General Fund - intergovernmental miscellaneous (partial)	ACFR pg. 41	<u>\$ 1,572</u>

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	\$ 1,453
Transportation Fund - reimbursements from outside sources and intergovernmental miscellaneous	ACFR pg. 153	566
Special Programs Fund - reimbursements from outside sources (partial)	ACFR pg. 154	473
Stadium Fund - reimbursements from outside sources	ACFR pg. 154	235
		<u>\$ 2,727</u>
Enterprise Funds:		
Water & Sewer - Other Revenue	ACFR pg. 50	\$ 1
Airport - Other Revenue	ACFR pg. 50	11
Solid Waste - Other Revenue	ACFR pg. 50	7
		<u>\$ 19</u>
Internal Service Funds:		
Self-Insurance - Other Revenue	ACFR pg. 50	<u>\$ 747</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2024
(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	\$ 734,742
Enterprise Funds:		
Total operating expenses	ACFR pg. 50	\$ 216,333
Interest paid	ACFR pg. 50	7,336
Loss on sale of fixed assets	ACFR pg. 50	137
Total expenses		<u>\$ 223,806</u>
Internal Service Funds:		
Total expenses	ACFR pg. 50	<u>\$ 79,670</u>

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

The \$21,558 subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of streetlight and service districts, community facility districts, 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. 154	\$ 610
Municipal Property Corporation		
Principal	ACFR pg. 166	\$ 13,935
Interest and other charges	ACFR pg. 166	4,813
Total		<u>\$ 18,748</u>
Community Facilities Districts		
Operating expenditures/Qasimyar settlement	ACFR pg. 153-154, 166	\$ 682
Principal	ACFR pg. 166	1,310
Interest and other charges	ACFR pg. 166	208
Total		<u>\$ 2,200</u>
Total Expenditures not included in EEC Base Limitation:		<u>\$ 21,558</u>

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

The subtraction of \$618 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. 175	<u>\$ 618</u>

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 \$15,798 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	\$ 10,673
Transportation Fund	ACFR pg. 153	22
Special Programs Fund	ACFR pg. 154	5,103
		<u>\$ 15,798</u>

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

The subtraction of \$11,175 is the result of tortious acts for which the City was required to pay involuntarily including the Qasimyar settlement.

Governmental Funds		
General Fund (Other Governmental)	ACFR pg. 42	\$ 4,861
General Obligation Debt Service Fund (Other Governmental)	ACFR pg. 42	5,059
		<u>\$ 9,920</u>
Internal Service Funds		
Operating expenses included in the Internal Service Funds (partial)	ACFR pg. 175	<u>\$ 1,255</u>