

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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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, 2013. 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.

CliftonLarsonAllen LLP

Phoenix, Arizona
February 12, 2014

CITY OF SCOTTSDALE, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 FISCAL YEAR ENDED JUNE 30, 2013
 (in thousands of dollars)

| | | |
|---|----|-------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ | 411,520 |
| 2. Voter-approved alternative expenditure limitation | | <u>N/A</u> |
| 3. Enter applicable amount from line 1 or line 2 | \$ | 411,520 |
| 4. Amount subject to the expenditure limitation (total expenditures and expenses from Part II, Line C) | \$ | 363,181 |
| 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>363,181</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>\$ 363,181</u> |
| 12. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3) | | <u>\$ 48,339</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: Jeffery M. Nichols

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

Telephone Number (480) 312-2364

Date: 2/19/14

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2013
(in thousands of dollars)

| DESCRIPTION | GOVERNMENTAL FUNDS | ENTERPRISE FUNDS | INTERNAL SERVICE FUNDS | FIDUCIARY FUNDS | TOTAL |
|--|-----------------------|---------------------|------------------------------|--------------------|------------|
| A. Amounts reported on the Reconciliation, Line D | \$ 624,880 | \$ 174,855 | \$ 49,903 | \$ 6 | \$ 849,644 |
| B. Less exclusions claimed: | | | | | |
| 1. a. Bond proceeds (Part II, Note B-1a) | 121,135 | - | - | - | 121,135 |
| b. Debt service requirements on bonded indebtedness (Part II, Note B-1b) | 57,933 | 26,443 | - | - | 84,376 |
| c. Proceeds from other long-term obligations | - | - | - | - | - |
| d. Debt service requirements on other long-term obligations (Part II, Note B-1c) | 2,769 | - | - | - | 2,769 |
| 2. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-2) | 1,489 | 1,205 | - | - | 2,694 |
| 3. Trustee or custodian (Part II, Note B-3) | - | - | - | 6 | 6 |
| 4. Grants and aid from the Federal Government (Part II, Note B-4) | 11,919 | - | - | - | 11,919 |
| 5. Grants, aid, contributions, or gifts from private agency, organization, or individual except amounts received in lieu of taxes. (Part II, Note B-5) | 2,439 | - | - | - | 2,439 |
| 6. Amounts received from the State (Part II, Note B-6) | 876 | - | - | - | 876 |
| 7. Quasi-external interfund transactions (Part II, Note B-7) | 7,595 | - | 41,074 | - | 48,669 |
| 8. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-8) | 144,798 | 49,781 | - | - | 194,579 |
| 9. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-9) | 10,436 | - | - | - | 10,436 |
| 10. Contracts with other political subdivisions (Part II, Note B-10) | 1,012 | - | - | - | 1,012 |
| 11. Refunds, reimbursements, and other recoveries (Part II, Note B-11) | 5,553 | - | - | - | 5,553 |
| 12. Voter-approved exclusions not identified above (attach resolution) | - | - | - | - | - |
| 13. Prior years carryforward (Part II, Note B-13) | - | - | - | - | - |
| 14. Total Exclusions Claimed: | 367,954 | 77,429 | 41,074 | 6 | 486,463 |
| C. Amounts subject to expenditure limitation | \$ 256,926 | \$ 97,426 | \$ 8,829 | \$ - | \$ 363,181 |

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2013
(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. 40, 47, and 51). | \$ 676,531 | \$ 156,305 | \$ 52,207 | \$ 6 | \$ 885,049 |
| B. Subtractions: | | | | | |
| 1. Items not requiring use of working capital: | | | | | |
| Depreciation and amortization (CAFR pg. 47) | \$ - | \$ 46,829 | \$ 4,385 | \$ - | \$ 51,214 |
| Loss on disposal of capital assets | - | 43 | - | - | 43 |
| Bad debt expense | - | - | - | - | - |
| Other postemployment benefits expense | - | - | - | - | - |
| Claims incurred but not reported (CAFR pg. 92) | - | - | 12,882 | - | 12,882 |
| Landfill closure and postclosure care costs | - | - | - | - | - |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2). | 51,651 | - | - | - | 51,651 |
| 3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreement. | - | - | - | - | - |
| 4. Involuntary court judgements. | - | - | 1,917 | - | 1,917 |
| 5. Total Subtractions | \$ 51,651 | \$ 46,872 | \$ 19,184 | \$ - | \$ 117,707 |
| C. Additions: | | | | | |
| 1. Principal payments on long-term debt (Part II-Note B-1b) | \$ - | \$ 12,293 | \$ - | \$ - | \$ 12,293 |
| 2. Acquisition of capital assets (CAFR pg. 48) | - | 53,129 | 6,269 | - | 59,398 |
| 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) | - | - | 10,611 | - | 10,611 |
| 5. Landfill closure and postclosure care costs recorded as expended in previous years (N/A) | - | - | - | - | - |
| 6. Total Additions | - | 65,422 | 16,880 | - | 82,302 |
| D. Amounts reported on Part II, line A | \$ 624,880 | \$ 174,855 | \$ 49,903 | \$ 6 | \$ 849,644 |

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2013
(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 Revenue, 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 | | | |
| General Fund expenditures paid from bond proceeds | CAFR pg. 40 | \$ | 31,000 |
| G.O. Bond Debt Service Fund payment to refunding escrow agent | CAFR pg. 40 | | 90,135 |
| | | \$ | <u>121,135</u> |

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

| | | | |
|---|--------------|----|------------|
| Governmental Funds | | | |
| Debt Service (McDowell Preserve Privilege Tax) | | | |
| Principal | CAFR pg. 125 | \$ | 910 |
| Interest | CAFR pg. 125 | | 46 |
| | | \$ | <u>956</u> |

| | | | |
|---|-------------|----|---------------|
| Debt Service (General Obligation Bond) | | | |
| Principal | CAFR pg. 40 | \$ | 30,290 |
| Interest and bond issuance costs | CAFR pg. 40 | | 26,687 |
| | | \$ | <u>56,977</u> |

Total Governmental Debt Service Requirements on Bonded Indebtedness: \$ 57,933

| | | | |
|--|-------------|----|---------------|
| Enterprise Funds: | | | |
| Principal Payments on Long-Term Debt | CAFR pg. 48 | \$ | 12,293 |
| Interest Payments on Long-Term Debt | CAFR pg. 47 | | 14,150 |
| Total Principal & Interest on Long-Term Debt | | \$ | <u>26,443</u> |

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

| | | | |
|--|-------------|----|--------------|
| General Fund: | | | |
| Principal | CAFR pg. 40 | \$ | 2,236 |
| Interest | CAFR pg. 40 | | 533 |
| Total debt service on General Fund other long-term obligations | | \$ | <u>2,769</u> |

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2013
(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. 39 | \$ 1,450 |
| Special Revenue Funds: | | |
| Section 8 - Interest Earnings (non-excludable amount; carried forward) | CAFR pg. 113 | \$ 1 |
| Special Programs - Interest Earnings | CAFR pg. 114 | 39 |
| Deduct current year interest earnings carried forward | | (1) |
| Total Special Revenue Fund Carryforward @ 6/30/13 | | <u>\$ 39</u> |
| Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities Carryforward: | | <u>\$ 1,489</u> |
| Enterprise Funds Investment Income: | | |
| Current Year Interest Earnings | | <u>\$ 1,205</u> |

PART II - NOTE B-3 - TRUSTEE OR CUSTODIAN

| | | |
|------------------------------|-------------|-------------|
| Fiduciary Funds - deductions | CAFR pg. 51 | <u>\$ 6</u> |
|------------------------------|-------------|-------------|

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 | \$ 826 |
| CDBG-Grants and aid from Federal Government (note 1) | CAFR pg. 113 | 1,303 |
| HOME-Grants and aid from Federal Government (note 1) | CAFR pg. 113 | 387 |
| Grants-Grants and aid from Federal Government (note 1) | CAFR pg. 113 | 962 |
| Section 8-Grants and aid from Federal Government (note 1) | CAFR pg. 113 | 5,770 |
| Governmental Funds-Intergovernmental Miscellaneous (partial) | | 3,175 |
| CDBG-Grants and aid from Federal Government (non-excludable amount; to be carried forward) | | (8) |
| HOME-Grants and aid from Federal Government (non-excludable amount; to be carried forward) | | (48) |
| Grants-Grants and aid from Federal Government (non-excludable amount; to be carried forward) | | (422) |
| Section 8-Grants and aid from Federal Government (non-excludable amount; to be carried forward) | | (26) |
| | | <u>\$ 11,919</u> |

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

| | | |
|---|--------------|-----------------|
| Governmental Funds | | |
| Grants Fund - contributions/donations | CAFR pg. 113 | 1,199 |
| Special Programs Fund - contributions and donations, other revenues | CAFR pg. 114 | 1,240 |
| Total expenditures from grants, aid, and contributions | | <u>\$ 2,439</u> |

Note 1: Excluded amount is limited due to revenues exceeding expenditures in the fund. Will carry forward unused amounts.

CITY OF SCOTTSDALE, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 FISCAL YEAR ENDED JUNE 30, 2013
 (in thousands of dollars)

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

| | | | |
|---|--------------|----|------------|
| Governmental Funds | | | |
| Grants Fund | CAFR pg. 113 | \$ | 299 |
| Highway User Fuel Tax (included in intergovernmental miscellaneous) | | | 527 |
| Special Programs (included in intergovernmental miscellaneous) | | | 50 |
| Total expenditures and amounts received from the State | | \$ | <u>876</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.

| | | | |
|--|---|----|--------------|
| Governmental Fund and Enterprise expenses included in Internal Service Fund revenues | CAFR pg.134 charges for sales and services/billings | \$ | 41,074 |
| Enterprise Funds expenses included in General Fund - indirect costs | CAFR pg. 39, 47 | \$ | 7,037 |
| Enterprise Funds expenses included in Highway User Fuel Tax Fund - indirect costs | CAFR pg. 113, 47 | | 558 |
| | | \$ | <u>7,595</u> |

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

| | | | |
|--|--------------|----|----------------|
| Governmental Funds | | | |
| Capital Improvement Expenditures | | | |
| General CIP Construction Capital Project Fund | CAFR pg. 40 | \$ | 66,928 |
| Preserve Privilege Tax Capital Project Fund | CAFR pg. 40 | | 80,793 |
| Transportation Privilege Tax Capital Project Fund | CAFR pg. 131 | | 33,468 |
| Less: Furniture, Machinery & Equipment purchases, operating expenses | | | (36,391) |
| Total amount accumulated for construction | | \$ | <u>144,798</u> |
| Enterprise Funds | | | |
| Capital improvements purchases | CAFR pg. 48 | \$ | 53,129 |
| Less: Furniture, Machinery & Equipment purchases, operating expenses | | | (3,348) |
| Total amount accumulated for construction | | \$ | <u>49,781</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, 2013
 (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 | \$ 11,903 |
| Less: | | |
| 1979-80 HURF base | | (1,467) |
| Maximum HURF exclusion available | | <u>\$ 10,436</u> |
| Total HURF expenditures | CAFR, pg. 113 | \$ 20,866 |
| Less: | | |
| 1979-80 HURF base | | (1,467) |
| Federal grants | CAFR, pg. 113 | (826) |
| Amounts received from the state (included in intergovernmental miscellaneous) | CAFR, pg. 113 | (527) |
| Reimbursements from Outside Sources (includes portion in intergovt. misc.) | CAFR, pg. 113 | (977) |
| Indirect Costs | CAFR, pg. 113 | (558) |
| Total HURF expenditures covered by HURF revenue | | <u>\$ 16,511</u> |
| HURF exclusion claimed | | <u>\$ 10,436</u> |
| HURF carryforward | | \$ - |

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

| | | |
|---|--|-----------------|
| Governmental Funds | | |
| General Fund - intergovernmental miscellaneous (partial) | | \$ 987 |
| Special Programs Fund - intergovernmental miscellaneous (partial) | | 25 |
| | | <u>\$ 1,012</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. 39 | \$ 3,817 |
| Highway User Fuel Tax Fund - reimbursements from outside sources and partial intergovernmental miscellaneous | CAFR, pg. 113 | 977 |
| Special Programs Fund - reimbursements from outside sources | CAFR, pg. 114 | 678 |
| Tourism Development Fund - reimbursements from outside sources | CAFR, pg. 114 | 81 |
| | | <u>\$ 5,553</u> |

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2013
(in thousands of dollars)

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

| | | | |
|--|-------------|----|----------------|
| Governmental Funds: | | | |
| Total expenditures | CAFR pg. 40 | \$ | 576,847 |
| Payment to bond refunding escrow agent | CAFR pg. 40 | | 99,684 |
| Total expenses | | \$ | <u>676,531</u> |
| | | | |
| Enterprise Funds: | | | |
| Total operating expenses | CAFR pg. 47 | \$ | 142,112 |
| Interest paid | CAFR pg. 47 | | 14,150 |
| Loss on Sale of Fixed Asset | CAFR pg. 47 | | 43 |
| Total expenses | | \$ | <u>156,305</u> |

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

The subtraction of \$51,651 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment 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 | \$ | 569 |
| | | | |
| Municipal Property Corporations | | | |
| Operating expenditures | | \$ | - |
| Principal | CAFR pg. 40 | | 3,135 |
| Interest and other charges | CAFR pg. 40 | | 7,659 |
| Total | | \$ | <u>10,794</u> |
| | | | |
| Special Assessment Districts | | | |
| Operating expenditures included in the General Fund | | \$ | 1 |
| Principal | CAFR pg. 125 | | 755 |
| Interest and other charges | CAFR pg. 125 | | 17 |
| Total | | \$ | <u>773</u> |
| | | | |
| Community Facilities Districts | | | |
| Operating expenditures | CAFR pg. 113-114 | \$ | 110 |
| Principal | CAFR pg. 125 | | 21,860 |
| Interest and other charges | CAFR pg. 125 | | 1,506 |
| Payment to bond refunding escrow agent | CAFR pg. 125 | | 9,549 |
| Total | | \$ | <u>33,025</u> |
| | | | |
| Scottsdale Preserve Authority | | | |
| Operating expenditures | CAFR pg. 113 | \$ | 4 |
| Principal | CAFR pg. 125 | | 3,800 |
| Interest and other charges | CAFR pg. 125 | | 2,686 |
| Total | | \$ | <u>6,490</u> |
| | | | |
| Total Expenditures not included in EEC Base Limitation: | | | <u>\$ 51,651</u> |

RECONCILIATION - NOTE B-4 - INVOLUNTARY COURT JUDGMENTS OR INVOLUNTARY SETTLEMENTS

The subtraction of \$1,917 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 | CAFR pg. 134 | \$ | 1,917 |