

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012

CONTENTS	PAGE
INDEPENDENT AUDITORS' REPORT	1
ANNUAL EXPENDITURE LIMITATION REPORT - PART I	2
ANNUAL EXPENDITURE LIMITATION REPORT - PART II	3
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION	4
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT	5-9



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' 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 audited the accompanying Annual Expenditure Limitation Report (Report) of the City of Scottsdale, Arizona, for the year ended June 30, 2012. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the City of Scottsdale, Arizona, for the year ended June 30, 2012, 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.

This report is intended solely for the information and use of management and for filing with the Auditor General of the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 12, 2013

CITY OF SCOTTSDALE, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 FISCAL YEAR ENDED JUNE 30, 2012
 (in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	<u>400,768</u>
2. Voter-approved alternative expenditure limitation		<u>N/A</u>
3. Enter applicable amount from line 1 or line 2		<u>\$ 400,768</u>
4. Expenditures subject to expenditure limitation (total expenditures and expenses from Part II, Line C)	\$	<u>286,399</u>
5. Board-approved expenditures necessitated by a disaster declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(a), Arizona Constitution)		<u>-</u>
6. Board-approved expenditures necessitated by disaster not declared by the Governor and approved by the voters (Article IX, Sec 20(2)(b), Arizona Constitution)		<u>-</u>
7. Prior-year voter-approved expenditures to exceed expenditure limitation for reporting fiscal year (Article IX, Sec 20(2)(c), Arizona Constitution)		<u>-</u>
8. Adjusted expenditures subject to expenditure limitation; subtract lines 5, 6, 7 from line 4	\$	<u>286,399</u>
9. Board-authorized excess expenditures for previous fiscal year not approved by the voters (Article IX, Sec 20(2)(b), Arizona Constitution)	\$	<u>-</u>
10. Total adjusted expenditures subject to expenditure limitation; add lines 8 and 9		<u>\$ 286,399</u>
11. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)		<u>\$ 114,369</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: David N. Smith

Name and Title: David N. Smith, Chief Financial Officer

Telephone Number (480) 312-2364

Date: 2/12/13

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2012
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 445,596	\$ 190,419	\$ 51,815	\$ 5	\$ 687,835
B. Less exclusions claimed:					
1. a. Bond proceeds (Part II, Note B-1a)	-	-	-	-	-
b. Debt service requirements on bonded indebtedness (Part II, Note B-1b)	55,759	24,668	-	-	80,427
c. Proceeds from other long-term obligations	-	-	-	-	-
d. Debt service requirements on other long-term obligations (Part II, Note B-1c)	9,578	-	-	-	9,578
2. Dividends, interest, and gains on the sale or redemption of investment securities (Part II, Note B-2)	-	-	-	-	-
3. Trustee or custodian (Part II, Note B-3)	-	-	-	5	5
4. Grants and aid from the Federal Government (Part II, Note B-4)	22,043	6,429	-	-	28,472
5. Grants, aid, contributions, or gifts from private agency, organization, or individual except amounts received in lieu of taxes. (Part II, Note B-5)	2,853	-	-	-	2,853
6. Amounts received from the State (Part II, Note B-6)	37,172	213	-	-	37,385
7. Quasi-external interfund transactions (Part II, Note B-7)	483	-	36,090	-	36,573
8. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-8)	120,394	65,654	-	-	186,048
9. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-9)	1,119	-	-	-	1,119
10. Contracts with other political subdivisions (Part II, Note B-10)	6,330	-	-	-	6,330
11. Refunds, reimbursements, and other recoveries	12,646	-	-	-	12,646
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward (Part II, Note B-13)	-	-	-	-	-
14. Total Exclusions Claimed:	268,377	96,964	36,090	5	401,436
C. Amounts subject to expenditure limitation	\$ 177,219	\$ 93,455	\$ 15,725	\$ -	\$ 286,399

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2012
(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 pg. 45 and pg. 48).	\$ 466,903	\$ 153,399	\$ 50,186	\$ 5	\$ 670,493
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation and amortization (CAFR pg. 45)	\$ -	\$ 42,979	\$ 4,541	\$ -	\$ 47,520
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported (CAFR pg. 87)	-	-	10,611	-	10,611
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).	21,307	-	-	-	21,307
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.	-	-	93	-	93
5. Total Subtractions	\$ 21,307	\$ 42,979	\$ 15,245	\$ -	\$ 79,531
C. Additions:					
1. Principal payments on long-term debt (Part II-Note B-1b)	\$ -	\$ 13,054	\$ -	\$ -	\$ 13,054
2. Acquisition of capital assets (CAFR pg. 46)	-	66,945	5,734	-	72,679
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years. (CAFR pg. 87)	-	-	11,140	-	11,140
4. Landfill closure and postclosure care costs recorded as expended in previous years (N/A)	-	-	-	-	-
5. Capital Contributions to joint ventures (N/A)	-	-	-	-	-
6. Total Additions	-	79,999	16,874	-	96,873
D. Amounts reported on Part II, line A	\$ 445,596	\$ 190,419	\$ 51,815	\$ 5	\$ 687,835

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012
(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 Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

PART II - NOTE B-1a - BOND PROCEEDS

Bond Proceeds are 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. See Note B-8.

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

Governmental Funds

Debt Service (McDowell Preserve Privilege Tax)

Principal	CAFR pg. 124	\$	865
Interest	CAFR pg. 124		89
			\$ 954

Debt Service (General Obligation Bond)

Principal	CAFR pg. 38	\$	28,315
Interest and bond issuance costs	CAFR pg. 38		26,490
			\$ 54,805

Total Governmental Debt Service Requirements on Bonded Indebtedness: \$ 55,759

Enterprise Funds:

Principal Payments on Long-Term Debt	CAFR pg. 46	\$	13,054
Interest Payments on Long-Term Debt	CAFR pg. 45		11,614
Total Principal & Interest on Long-Term Debt			\$ 24,668

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

General Fund:

Principal	CAFR pg. 38	\$	5,715
Interest	CAFR pg. 38		3,863
Total debt service on General Fund other long-term obligations			\$ 9,578

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012
(in thousands of dollars)

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

General Fund:		
Current Year Interest Earnings	CAFR pg. 37	\$ 1,558
Interest from previous years to be carried forward	AELR PY End Bal	54,569
Total General Fund		<u>\$ 56,127</u>
Special Revenue Fund:		
CDBG - Interest Earnings	CAFR pg. 108	\$ 10
Preserve Privilege Tax - Interest Earnings	CAFR pg. 108	290
Interest from previous years to be carried forward	AELR PY End Bal	12,385
Total Special Revenue Fund		<u>\$ 12,685</u>
Capital Projects Fund:		
Transportation Privilege Tax - Interest Earnings	CAFR pg. 130	\$ 151
General Obligation Bond Construction - Interest Earnings	CAFR pg. 130	414
Interest from previous years to be carried forward	AELR PY End Bal	54,559
Total Capital Projects Fund		<u>\$ 55,124</u>
Less: Interest Carryforward Used		<u>\$ -</u>
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities Carryforward:		<u>\$ 123,936</u>
Enterprise Funds Investment Income		
Current Year Interest Earnings		\$ 1,939
Interest from previous years to be carried forward	AELR PY End Bal	47,859
Total Enterprise Funds Interest Carryforward:		<u>\$ 49,798</u>
Internal Service Funds Investment Income		
Current Year Interest Earnings		\$ -
Interest from previous years to be carried forward	AELR PY End Bal	8,709
Total Interest Service Funds Interest Carryforward:		<u>\$ 8,709</u>

PART II - NOTE B-3 - TRUSTEE OR CUSTODIAN

Fiduciary Funds - deductions	CAFR pg. 48	<u>\$ 5</u>
------------------------------	-------------	-------------

PART II - NOTE B-4 - GRANTS AND AID FROM FEDERAL GOVERNMENT

Governmental Funds and Internal Service		
Governmental Funds-Grants and aid from Federal Government	CAFR pg. 37	\$ 19,761
Governmental Funds-Intergovernmental Miscellaneous (partial)		2,282
		<u>\$ 22,043</u>
Enterprise Funds		
Grants and aid from the Federal Government		
(Federal portion of capital grants of \$6,642 included in Statement of Cash Flows (CAFR pg. 46); see Part II, Note B-6 for state portion)		<u>\$ 6,429</u>

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

Governmental Funds		
General Fund - contributions/donations, developer contributions	CAFR pg. 37	\$ 53
Grants Fund - contributions/donations	CAFR pg. 108	1,139
HURF - other revenues	CAFR pg. 108	58
Section 8 - other revenues	CAFR pg. 108	14
Special Programs Fund - contributions and donations, other revenues	CAFR pg. 108	728
General CIP Construction Capital Projects - developer contributions, contributions and donations	CAFR pg. 37	763
Transportation Privilege Tax Capital Projects - developer contributions	CAFR pg. 130	98
Total expenditures from grants, aid, and contributions		<u>\$ 2,853</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012
(in thousands of dollars)

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

Governmental Funds		
State grants revenue	CAFR pg. 37	\$ 36,534
Expenditures from LTAF (lottery) revenue	CAFR pg. 108	638
Total expenditures and amounts received from the State		<u>\$ 37,172</u>
Enterprise Funds		
State grants revenue (State portion of capital grants of \$6,642 included in Statement of Cash Flows (CAFR pg. 46). See Part II, Note B-4 for federal portion)		<u>\$ 213</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.133 charges for sales and services/billings	<u>\$ 36,090</u>
Enterprise Funds expenses included in Special Revenue Funds - indirect costs	CAFR pg. 37, 45	<u>\$ 483</u>

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

Governmental Funds		
Capital Improvement Expenditures		
Preserve Privilege Tax Capital Project Fund	CAFR pg. 38	\$ 55,003
Transportation Privilege Tax Capital Project Fund	CAFR pg. 130	17,277
General CIP Construction Capital Project Fund	CAFR pg. 38	56,745
Less: Furniture, Machinery & Equipment purchases	CAFR pg. 71	(8,631)
Total amount accumulated for construction		<u>\$ 120,394</u>
Enterprise Funds		
Capital improvements purchases	CAFR pg. 46	\$ 66,945
Less: Furniture, Machinery & Equipment purchases	CAFR pg. 72	(1,291)
Total amount accumulated for construction		<u>\$ 65,654</u>

* Expenditures for capital improvements received a permanent exclusion per 1982 voter election.

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

Total HURF revenue	CAFR, pg. 108	\$ 10,885
Less:		
1979-80 HURF base		(1,467)
Total HURF revenues		<u>\$ 9,418</u>
Maximum HURF exclusion available		<u>\$ 9,418</u>
Total HURF expenditures	CAFR, pg. 108	\$ 20,677
Less:		
1979-80 HURF base		(1,467)
Grant revenue - state grants and miscellaneous	CAFR, pg. 108	(2,106)
Transportation Privilege Tax	CAFR, pg. 108	(15,985)
Total HURF expenditures covered by HURF revenue		<u>\$ 1,119</u>
HURF exclusion claimed		<u>\$ 1,119</u>

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012
(in thousands of dollars)

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

Governmental Funds		
General Fund - intergovernmental miscellaneous (partial)		\$ 791
General CIP Construction Capital Projects - intergovernmental miscellaneous	CAFR, pg. 37	198
Special Programs Fund - intergovernmental miscellaneous (partial)		261
Transportation Privilege Tax Fund - intergovernmental miscellaneous	CAFR, pg. 130	5,080
		\$ 6,330

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	\$ 3,249
General CIP Construction Capital Projects - reimbursements from outside sources	CAFR, pg. 37	561
Transportation Privilege Tax Capital Projects - reimbursements from outside sources	CAFR, pg. 130	8,074
HURF - reimbursements from outside sources	CAFR, pg. 108	31
Section 8 - reimbursements from outside sources	CAFR, pg. 108	3
HOME- reimbursements from outside sources	CAFR, pg. 108	9
Special Programs Fund - reimbursements from outside sources	CAFR, pg. 108	719
		\$ 12,646

PART II - NOTE B-13 - PRIOR YEARS CARRYFORWARD

Prior years General Fund carryforward consists of constitutionally excludable revenues unexpended in the year of receipts that have been accumulated and were expended in the current year as follows:

Description		Governmental Funds
General Fund Quasi-External Interfund Transaction Revenue not used in FY 2012	CAFR, pg. 37	8,613
Less: carryforward expended		-
Total General Fund carryforward		8,613

CITY OF SCOTTSDALE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012
(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	\$ <u>466,903</u>
Enterprise Funds:		
Total operating expenses	CAFR pg. 45	\$ 141,785
Interest paid	CAFR pg. 45	<u>11,614</u>
Total expenses		<u>\$ 153,399</u>

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

The subtraction of \$21,307 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts, community facility districts, a preserve authority, and municipal property corporations 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. 38	\$ <u>572</u>
Municipal Property Corporations		
Operating expenditures included in General Fund		\$ 2
Principal	CAFR pg. 124	3,290
Interest and other charges	CAFR pg. 124	<u>6,041</u>
Total		<u>\$ 9,333</u>
Special Assessment Districts		
Operating expenditures included in General Fund		\$ 1
Principal	CAFR pg. 124	755
Interest and other charges	CAFR pg. 124	<u>52</u>
Total		<u>\$ 808</u>
Community Facilities Districts		
Operating expenditures included in General Fund		\$ 108
Principal	CAFR pg. 124	2,105
Interest and other charges	CAFR pg. 124	<u>1,880</u>
Total		<u>\$ 4,093</u>
Scottsdale Preserve Authority		
Principal	CAFR pg. 124	\$ 3,655
Interest and other charges	CAFR pg. 124	<u>2,846</u>
Total		<u>\$ 6,501</u>
Total Expenditures not included in EEC Base Limitation:		<u>\$ <u>21,307</u></u>

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

The subtraction of \$93 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. 45	\$ <u>93</u>