

**CITY OF SCOTTSDALE, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2011**

CITY OF SCOTTSDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT  
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CONTENTS	PAGE
INDEPENDENT AUDITOR'S 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	5-8



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## 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, 2011. 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, 2011, 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**

Mesa, Arizona  
February 22, 2012

CITY OF SCOTTSDALE, ARIZONA  
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I  
 FISCAL YEAR ENDED JUNE 30, 2011  
 (in thousands of dollars)

1. Economic Estimates Commission expenditure limitation	\$	445,248
2. Voter-approved alternative expenditure limitation		<u>N/A</u>
3. Enter applicable amount from line 1 or line 2		\$ 445,248
4. Expenditures subject to expenditure limitation (total expenditures and expenses from Part II, Line C)	\$	<u>290,780</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>290,780</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>\$ 290,780</u>
11. Amount under (in excess of) the expenditure limitation (Subtract Line 10 from Line 3)		<u>\$ 154,468</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: 2/22/12

See accompanying notes to report

CITY OF SCOTTSDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART I  
FISCAL YEAR ENDED JUNE 30, 2011  
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
A. Amounts reported on the Reconciliation, Line D	\$ 428,386	\$ 180,728	\$ 44,730	\$ 6	\$ 653,850
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)	55,000	30,632	-	-	85,632
c. Proceeds from other long-term obligations	-	-	-	-	-
d. Debt service requirements on other long-term obligations (Part II, Note B-1c)	4,964	-	-	-	4,964
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)	-	-	-	6	6
4. Grants and aid from the Federal Government (Part II, Note B-4)	16,719	1,685	-	-	18,404
5. Grants, aid, contributions, or gifts from private agency, organization, or individual except amounts received in lieu of taxes. (Part II, Note B-5)	18,378	-	-	-	18,378
6. Amounts received from the State (Part II, Note B-6)	22,740	29	-	-	22,769
7. Quasi-external interfund transactions (Part II, Note B-7)	12,855	-	33,851	-	46,706
8. Amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements (Part II, Note B-8)	106,221	51,410	-	-	157,631
9. Highway user revenues in excess of those received in fiscal year 1979-80 (Part II, Note B-9)	7,729	-	-	-	7,729
10. Contracts with other political subdivisions (Part II, Note B-10)	851	-	-	-	851
11. Refunds, reimbursements, and other recoveries	-	-	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward (Part II, Note B-11)	-	-	-	-	-
14. Total Exclusions Claimed:	245,457	83,756	33,851	6	363,070
C. Amounts subject to expenditure limitation	\$ 182,929	\$ 96,972	\$ 10,879	\$ -	\$ 290,780

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION  
FISCAL YEAR ENDED JUNE 30, 2011  
(in thousands of dollars)

DESCRIPTION	GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	FIDUCIARY FUNDS	TOTAL
<b>A.</b>					
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. 46 and pg. 48).	\$ 447,825	\$ 151,699	\$ 46,165	\$ 6	\$ 645,695
<b>B. Subtractions:</b>					
1. Items not requiring use of working capital:					
Depreciation and amortization (CAFR pg. 44)	\$ -	\$ 36,139	\$ 5,061	\$ -	\$ 41,200
Loss on disposal of capital assets (CAFR pg. 44)	-	-	150	-	150
Bad debt expense	-	-	-	-	-
Claims incurred but not reported (CAFR pg. 90)	-	-	11,140	-	11,140
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Reconciliation, Note B-2).					
	19,439	-	-	-	19,439
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreement.					
	-	-	-	-	-
4. Involuntary court judgments.					
	-	-	-	-	-
<b>5. Total Subtractions</b>					
	\$ 19,439	\$ 36,139	\$ 16,351	\$ -	\$ 71,929
<b>C. Additions:</b>					
1. Principal payments on long-term debt (Part II-Note B-1b)					
	\$ -	\$ 13,758	\$ -	\$ -	\$ 13,758
2. Acquisition of capital assets (CAFR pg. 45)					
	-	51,410	3,774	-	55,184
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years. (CAFR NTFS pg. 90)					
	-	-	11,142	-	11,142
4. Landfill closure and postclosure care costs recorded as expended in previous years (N/A)					
	-	-	-	-	-
5. Capital Contributions to joint ventures (CAFR, pg. 45)					
	-	-	-	-	-
<b>5. Total Additions</b>					
	-	65,168	14,916	-	80,084
<b>D. Amounts reported on Part II, line A</b>					
	\$ 428,386	\$ 180,728	\$ 44,730	\$ 6	\$ 653,850

See accompanying notes to report.

CITY OF SCOTTSDALE, ARIZONA  
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
 FISCAL YEAR ENDED JUNE 30, 2011  
 (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 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**

<b>Governmental Funds</b>			
<b>Special Revenue funds (Preserve Privilege Tax)</b>			
Principal	CAFR pg. 111	\$	825
Interest	CAFR pg. 111		129
Total debt service on Special Revenue Funds bonded indebtedness		\$	<u>954</u>
<b>Debt Service (General Obligation Bond)</b>			
Principal	CAFR pg. 38	\$	27,975
Interest and bond issuance costs	CAFR pg. 38		26,071
Total debt service on Special Revenue Funds bonded indebtedness		\$	<u>54,046</u>
Total Governmental Debt Service Requirements on Bonded Indebtedness:		\$	<u>55,000</u>
<b>Enterprise Funds:</b>			
Principal Payments on Long-Term Debt	CAFR pg. 45	\$	13,758
Interest Payments on Long-Term Debt	CAFR pg. 45		16,874
Total Principal & Interest on Long-Term Debt		\$	<u>30,632</u>

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

<b>General Fund:</b>			
Principal	CAFR pg. 38	\$	1,105
Interest	CAFR pg. 38		3,859
Total debt service on General Fund other long-term obligations		\$	<u>4,964</u>

CITY OF SCOTTSDALE, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
FISCAL YEAR ENDED JUNE 30, 2011  
(in thousands of dollars)

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

<b>General Fund:</b>		
Current Year Interest Earnings	CAFR pg. 37	\$ 1,221
Interest from previous years to be carried forward	AELR PY End Bal	53,348
Total General Fund		<u>\$ 54,569</u>
<b>Special Revenue Fund:</b>		
Section 8 - Interest Earnings	CAFR pg. 111	\$ 1
Preserve Privilege Tax - Interest Earnings	CAFR pg. 111	297
Special Programs - Interest Earnings	CAFR pg. 111	72
Interest from previous years to be carried forward	AELR PY End Bal	12,015
Total Special Revenue Fund		<u>\$ 12,385</u>
<b>Capital Projects Fund:</b>		
Transportation Privilege Tax - Interest Earnings	CAFR pg. 126	\$ 174
General Obligation Bond Construction - Interest Earnings	CAFR pg. 126	506
General CIP Construction - Interest Earnings	CAFR pg. 37	415
Interest from previous years to be carried forward	AELR PY End Bal	53,464
Total Capital Projects Fund		<u>\$ 54,559</u>
Less: Interest Carryforward Used		<u>\$ -</u>
Total Governmental Funds Dividends, Interest, and Gains on Sale of Securities Carryforward:		<u>\$ 121,513</u>
<b>Enterprise Funds Investment Income</b>		
Interest from previous years to be carried forward	CAFR pg. 44	\$ 2,658
Total Enterprise Funds Interest Carryforward:	AELR PY End Bal	45,201
		<u>\$ 47,859</u>
<b>Internal Service Funds Investment Income</b>		
Interest from previous years to be carried forward	CAFR pg. 44	\$ 524
Total Interest Service Funds Interest Carryforward:	AELR PY End Bal	8,185
		<u>\$ 8,709</u>

**PART II - NOTE B-3 - TRUSTEE OR CUSTODIAN**

Fiduciary Funds - deductions	CAFR pg. 48	<u>\$ 6</u>
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**PART II - NOTE B-4 - GRANTS AND AID FROM FEDERAL GOVERNMENT**

<b>Governmental Funds and Internal Service</b>		
Governmental Funds-Grants and aid from Federal Government	CAFR pg. 37	\$ 16,719
		<u>\$ 16,719</u>
<b>Enterprise Funds</b>		
Grants and aid from the Federal Government (Federal and state grants of \$1,714 included in Capital Contributions (CAFR pg. 45); see Part II, Note B-6)	CashFlows Detail	<u>\$ 1,685</u>

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

<b>Governmental Funds</b>		
General Fund - reimbursement from outside sources, contributions/donations	CAFR pg. 37	\$ 3,375
Grants Fund - miscellaneous grants, contributions/donations	CAFR pg. 111	754
HURF - miscellaneous grants, reimbursement from outside sources and other revenues	CAFR pg. 111	776
Section 8 - reimbursements from outside sources and other revenues	CAFR pg. 111	14
Special Programs Fund - miscellaneous, contributions and donations, developer donations, reimbursement from outside sources and other revenues	CAFR pg. 111	2,247
General CIP Construction Capital Projects - developer contributions, contributions and donations and reimbursements from outside sources	CAFR pg. 37	922
Transportation Privilege Tax Capital Projects - intergovernmental miscellaneous, reimbursements from outside sources and developer contributions	CAFR pg. 126	10,290
Total expenditures from grants, aid, and contributions		<u>\$ 18,378</u>

CITY OF SCOTTSDALE, ARIZONA  
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
 FISCAL YEAR ENDED JUNE 30, 2011  
 (in thousands of dollars)

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

<b>Governmental Funds</b>		
State grants revenue	CAFR pg. 37	\$ 22,740
Total expenditures and amounts received from the State		<u>\$ 22,740</u>
<b>Enterprise Funds</b>		
State grants revenue (Total federal/state grants = \$1,714, see Part II, Note B-4)	CashFlows Detail/GL Rpt	<u>\$ 29</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. 129 charges for sales and services/billings	<u>\$ 33,851</u>
Enterprise Funds expenses included in General Fund Revenues - indirect costs	CAFR pg. 44	<u>\$ 12,855</u>

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

<b>Governmental Funds</b>		
Capital Improvement Expenditures		
Preserve Privilege Tax Capital Project Fund	CAFR pg. 126	\$ 23,640
Transportation Privilege Tax Capital Project Fund	CAFR pg. 126	27,450
General CIP Construction Capital Project Fund	CAFR pg. 38	56,358
Less: Furniture, Machinery & Equipment purchases		(1,227)
Total amount accumulated for construction		<u>\$ 106,221</u>
<b>Enterprise Funds:</b>		
Capital improvements purchases	CAFR pg. 45	\$ 53,848
Less: Furniture, Machinery & Equipment purchases		(2,438)
Total amount accumulated for construction		<u>\$ 51,410</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. 111	\$ 13,396
Less:		
1979-80 HURF base		(1,467)
Total HURF revenues		<u>\$ 11,929</u>
Add:		
Fund Balance increase	CAFR, pg. 111	-
Maximum HURF exclusion available		<u>\$ 11,929</u>
Total HURF expenditures	CAFR, pg. 111	\$ 25,210
Less:		
1979-80 HURF base		(1,467)
Grant revenue - state grants and miscellaneous	CAFR, pg. 111	(820)
Reimbursements from outside sources	CAFR, pg. 111	(139)
Other revenues	CAFR, pg. 111	(13)
Transportation Privilege Tax	CAFR, pg. 111	(15,042)
Total HURF expenditures covered by HURF revenue		<u>\$ 7,729</u>
HURF exclusion claimed		<u>\$ 7,729</u>

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

General Fund - intergovernmental miscellaneous	CAFR, pg. 37	<u>\$ 851</u>
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CITY OF SCOTTSDALE, ARIZONA  
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
 FISCAL YEAR ENDED JUNE 30, 2011  
 (in thousands of dollars)

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

<b>Governmental Funds:</b>		
Total expenditures	CAFR pg. 38	\$ <u>447,825</u>
<b>Enterprise Funds:</b>		
Total operating expenses	CAFR pg. 44	\$ 134,825
Interest paid	CAFR pg. 45	16,874
Total expenses		\$ <u>151,699</u>

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

The subtraction of \$19,439 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts 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:

<b>Streetlight and Service District</b>	CAFR pg. 38	\$ <u>578</u>
<b>Municipal Property Corporations</b>		
Principal	CAFR pg. 120	\$ 1,530
Interest and other charges	CAFR pg. 120	6,095
Total		\$ <u>7,625</u>
<b>Special Assessment Districts</b>		
Principal	CAFR pg. 120	\$ 757
Interest and other charges	CAFR pg. 120	86
Total		\$ <u>843</u>
<b>Community Facilities Districts</b>		
Principal	CAFR pg. 120	\$ 2,015
Interest and other charges	CAFR pg. 120	1,974
Total		\$ <u>3,989</u>
<b>Scottsdale Preserve Authority</b>		
Principal	CAFR pg. 120	\$ 3,470
Interest and other charges	CAFR pg. 120	2,934
Total		\$ <u>6,404</u>
Total Expenditures not included in EEC Base Limitation:		\$ <u>19,439</u>