



CITY OF TEMPE, ARIZONA

**Annual Expenditure Limitation Report
Year Ended June 30, 2023**

CITY OF TEMPE, ARIZONA

Annual Expenditure Limitation Report Year Ended June 30, 2023

| Table of Contents | Page |
|--|-------------|
| Independent Accountants' 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 |

Independent Accountant's Report

The Auditor General of the State of Arizona

The Honorable Mayor and City Council
of the City of Tempe, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Tempe, Arizona for the year ended June 30, 2023, 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
March 11, 2024

**CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2023**

| | | | |
|-----|---|---------------|----------------------|
| 1. | Economic Estimates Commission expenditure limitation | \$563,090,807 | |
| 2. | Voter-approved alternative expenditure limitation (Approved - N/A) | - | |
| 3. | Enter applicable amount from line 1 or 2 | | \$563,090,807 |
| 4. | Amount subject to the expenditure limitation (total amount from Part II, Line C) | 462,955,905 | |
| 5. | Board-authorized expenditures necessitated by a disaster declared by the Governor and not approved by the voters (Article IX, section 20 [2] [a], Arizona Constitution) | - | |
| 6. | Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, section 20 [2] [b], Arizona Constitution) | - | |
| 7. | Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, section 20 [2] [c], Arizona Constitution) | - | |
| 8. | Subtotal | 462,955,905 | |
| 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, section 20 [2] [b], Arizona Constitution) | - | |
| 10. | Total adjusted amount subject to the expenditure limitation | | <u>462,955,905</u> |
| 11. | Amount under (in excess of) the expenditure limitation (if excess expenditures are reported, provide an explanation) | | <u>\$100,134,902</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 Fiscal Officer: 
Name and Title: Thomas F. Duensing, CPA, Deputy City Manager-Chief Fiscal Officer
Telephone No.: (480) 350-8505 Date: 3/11/2024

See accompanying notes to report.

CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2023

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Fund | Total |
|--|-----------------------|---------------------|---------------------------|-------------------|----------------|
| A. Amounts reported on the Reconciliation, Line D | \$ 501,286,073 | \$ 188,725,183 | \$ 35,794,274 | \$ 9,510,675 | \$ 735,316,205 |
| B. Less exclusions claimed: | | | | | |
| 1. Debt proceeds (Note 2) | 44,331,076 | 12,300,033 | - | - | 56,631,109 |
| 2. (a) Debt service requirements on bonded indebtedness (Note 3) | 56,979,446 | 39,939,452 | - | - | 96,918,898 |
| (b) Debt service requirements on other long-term obligations (Note 3) | 1,566,784 | 474,505 | - | - | 2,041,289 |
| 3. Trustee or custodian | - | - | - | 9,437,959 | 9,437,959 |
| 4. Grants and aid from the federal government (Note 4) | 46,349,410 | - | - | - | 46,349,410 |
| 5. Amounts received from grants and donations (Note 14) | 220,114 | - | - | - | 220,114 |
| 6. Amounts received from the State (Note 15) | 3,321,305 | - | - | - | 3,321,305 |
| 7. Quasi-external interfund transaction (Note 5) | - | 4,017,270 | 35,794,274 | - | 39,811,544 |
| 8. Highway user revenues in excess of fiscal year 1979-80 highway user revenues (Note 6) | 11,796,106 | - | - | - | 11,796,106 |
| 9. Contracts with other political subdivisions (Note 7) | 1,228,218 | 744,513 | - | - | 1,972,731 |
| 10. Reimbursements (Note 16) | - | - | - | - | - |
| 11. Prior years' carryforward (Note 2) | 2,738,031 | 1,121,804 | - | - | 3,859,835 |
| Total exclusions claimed | 168,530,490 | 58,597,577 | 35,794,274 | 9,437,959 | 272,360,300 |
| C. Amount subject to the expenditure limitation. (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.) | \$ 332,755,583 | \$ 130,127,606 | \$ - | \$ 72,716 | \$ 462,955,905 |

See accompanying notes to report.

CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2023

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Fund | Total |
|--|-----------------------|---------------------|---------------------------|-------------------|-------------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements. | \$ 508,370,153 | \$ 162,877,630 | \$ 47,291,451 | \$ 9,510,675 | \$ 728,049,909 |
| B. Subtractions | | | | | |
| 1. Items not requiring the use of working capital: | | | | | |
| Depreciation | - | 27,545,382 | - | - | 27,545,382 |
| Loss on Joint Venture | - | 26,314 | - | - | 26,314 |
| Pension and OPEB Expense (Note 9) | - | 1,615,921 | (4,250) | - | 1,611,671 |
| Claims incurred but not reported (Note 10) | - | - | 19,467,263 | - | 19,467,263 |
| 2. Expenditures of separate legal entity established under Arizona Revised Statutes (Note 11) | 1,861,956 | - | - | - | 1,861,956 |
| 3. Required fees paid to the Industrial Commission of Arizona (Note 12) | - | - | 473,810 | - | 473,810 |
| 4. Present value of net minimum lease and finance purchase contract payments, SBITA recorded as expenditures at the agreements' inception (Note 8) | 5,222,124 | - | - | - | 5,222,124 |
| Total subtractions | <u>7,084,080</u> | <u>29,187,617</u> | <u>19,936,823</u> | <u>-</u> | <u>56,208,520</u> |
| C. Additions: | | | | | |
| 1. Principal payments on long-term debt (Note 13) | - | 29,012,811 | - | - | 29,012,811 |
| 2. Capital asset acquisitions | - | 23,709,379 | - | - | 23,709,379 |
| 3. Amounts paid in the current year but reported as expenses in previous years: Claims previously recognized as IBNR (Note 10) | - | - | 8,375,872 | - | 8,375,872 |
| 4. Pension and OPEB contributions (Note 9) paid in the current year | - | 2,312,980 | 63,774 | - | 2,376,754 |
| Total additions | <u>-</u> | <u>55,035,170</u> | <u>8,439,646</u> | <u>-</u> | <u>63,474,816</u> |
| D. Amounts reported on Part II, Line A | \$ 501,286,073 | \$ 188,725,183 | \$ 35,794,274 | \$ 9,510,675 | \$ 735,316,205 |

See accompanying notes to report.

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023

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 §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund financial statements.

In accordance with the 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 or notes to the 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, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for the Non-major Governmental Funds, the Statement of Revenues, Expenses and Changes in Net Position for the Proprietary Funds or the Statement of Cash Flows for the Proprietary Funds.*

NOTE 2 - Bond proceeds, interest earnings and internal service charges for services are claimed as exclusions in the year the expenditure occurs, and any unused amounts are carried forward for future years. The roll forward of carryforward exclusions for each category is as follows:

| | Governmental | Enterprise |
|--|---------------|----------------|
| Bond Proceeds | | |
| Carryforward exclusions as of 6/30/22 | \$ 3,152,335 | * \$ 1,121,804 |
| Current year bond proceeds and premium | 57,778,106 | 12,300,033 |
| Carryforward and prior year bond exclusions utilized | (2,738,031) | (1,121,804) |
| Current year bond proceeds and premium utilized | (44,331,076) | (12,300,033) |
| Carryforward exclusions as of 6/30/23 | \$ 13,861,334 | \$ - |

* Amount off from 6/30/2022 due to clerical error in prior year.

| | Governmental | Enterprise |
|---------------------------------------|---------------|---------------|
| Interest Earnings | | |
| Carryforward exclusions as of 6/30/22 | \$ 69,244,884 | \$ 26,443,994 |
| Carryforward exclusions as of 6/30/23 | \$ 82,340,298 | \$ 30,596,012 |

NOTE 3 - The exclusions claimed for debt service requirements on bonded indebtedness in the Governmental Funds was comprised of the following:

| | |
|--|---------------|
| Interest and fiscal fees | \$ 17,719,490 |
| Principal paid on bonds | 39,259,956 |
| Current year debt service requirements | |
| On bonded indebtedness | \$ 56,979,446 |

The exclusion claimed for debt service requirements on bonded indebtedness in the Enterprise funds was comprised of the following:

| | |
|--|---------------|
| Interest and fiscal fees | \$ 11,093,492 |
| Principal paid on bonds | 28,845,960 |
| Current year debt service requirements | |
| On bonded indebtedness | \$ 39,939,452 |

The exclusion claimed for debt service requirements on other long-term obligations were \$1,566,784 for leases and SIBITA in Governmental funds and \$474,505 for financed purchase in Enterprise funds.

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023

NOTE 4 - Federal grant and aid revenues are claimed as exclusions in the year the expenditure occurs, and any unused amounts are carried forward for future years. The current year federal grant and aid exclusion utilized is as follows:

| | | |
|---|----|-------------------|
| Federal grant revenue | \$ | 48,200,628 |
| Prior year unavailable federal grants | | (664,311) |
| Current year federal grant not utilized | | (1,186,907) |
| Current year exclusion used | | <u>46,349,410</u> |

NOTE 5 - The exclusion of \$4,017,270 claimed for quasi-external interfund transactions in the Enterprise Funds relate to charges to other divisions of the City for water, refuse and sewer services.

The exclusion of \$35,794,274 in the Internal Service Funds relates to charges for services paid to the Internal Service Funds for risk management, worker’s compensation, and employee health self-insurance services. The interfund charges are included in “Charges for Services” in the Enterprise and Internal Service Funds and as a current expenditure in various departments in the Governmental Funds.

| | | <u>Internal Service</u> |
|---------------------------------------|----|-------------------------|
| Charges for Services | | |
| Carryforward exclusions as of 6/30/22 | \$ | 15,746,234 |
| Current year charges for services | | 47,846,604 |
| Current year exclusion used | | <u>(35,794,274)</u> |
| Carryforward exclusions as of 6/30/23 | \$ | <u>27,798,564</u> |

NOTE 6 - The highway user revenue earned more than the amounts received in fiscal year 1979-80 by \$12,635,072 and is included in “State Sales Tax”. The carryforward balance is as follows:

| | | |
|---|----|---------------------|
| Carryforward HURF funds as of 6/30/22 | \$ | 11,460,545 |
| Current year HURF funds available for exclusion | | 12,635,072 |
| Total HURF funds utilized | | <u>(11,796,106)</u> |
| Carryforward HURF funds as of 6/30/23 | \$ | <u>12,299,511</u> |

NOTE 7 - The exclusions claimed for the contracts with other political subdivisions in the Enterprise Funds of \$744,513 relates to charges to the Town of Guadalupe for water and sewer services. These charges are included in "Charges for Services". In addition, the City had \$1,228,218 of excludable revenue in the Governmental Funds related to bus services. These revenues are included in the Transit Special Revenue Fund’s “Charges for Services” revenue.

NOTE 8 - The \$5,222,1224 of subtraction claimed in the Governmental Funds relates to a finance purchase of copiers.

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023

NOTE 9 - The subtraction for pension and other post employment benefit (OPEB) expense consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise/internal service fund(s). The addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise/internal service fund(s). The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

| | Enterprise | Internal Service |
|-----------------------------------|--------------|------------------|
| Subtraction of pension expense | \$ 1,035,026 | \$ (6,856) |
| Subtraction of OPEB expense | 580,895 | 2,606 |
| Subtotal | 1,615,921 | (4,250) |
| Addition of pension contributions | 2,265,466 | 62,464 |
| Addition of OPEB contributions | 47,514 | 1,310 |
| Subtotal | 2,312,980 | 63,774 |
| Total | \$ (697,059) | \$ (68,024) |

| | Enterprise | Internal Service |
|--|--------------|------------------|
| Statement of Cashflow: | | |
| Change in net OPEB asset | \$ (128,942) | \$ (2,317) |
| Change in deferred inflows related to pensions/OPEB | (5,032,122) | (158,233) |
| Change in deferred outflows related to pensions/OPEB | 2,346,453 | 51,420 |
| Change in net pension liability | 2,444,503 | 113,423 |
| Change in net OPEB liability | 1,986,031 | (8,542) |
| Total | \$ 1,615,923 | \$ (4,249) |

NOTE 10 - The \$19,467,263 subtraction for claims IBNR consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Fund. The \$8,375,872 addition for claims paid in the current year but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Fund.

| | IBNR 6/30/23 | IBNR 6/30/22 |
|-----------------------|---------------|--------------|
| General liability | \$ 6,144,786 | \$ 1,245,877 |
| Automobile liability | 182,500 | 152,075 |
| Property liability | 13,850 | 38,281 |
| Workers' compensation | 11,373,962 | 4,941,051 |
| Health insurance | 1,752,165 | 1,998,588 |
| Total | \$ 19,467,263 | \$ 8,375,872 |

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023

NOTE 11 - On February 20, 1997 the Rio Salado Community Facilities District (CFD) was organized under the laws of the State of Arizona to facilitate development of the Rio Salado Town Lake project. The CFD is a separate legal entity established under the Arizona Revised Statutes and therefore the expenditures are deductible. The City is 44.97% owner in the CFD and its portion of the expenditures are not deductible.

| | |
|---|---------------------|
| Total CFD expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance | \$ 6,285,262 |
| Debt service expenditures | (2,901,733) |
| City's portion of expenditure (not deductible) | <u>(1,521,573)</u> |
| Total expenditure deducted as a separate legal entity | <u>\$ 1,861,956</u> |

NOTE 12 - The \$473,810 of required fees paid to the Industrial Commission of Arizona for the municipal firefighters cancer reimbursement fund. The expenditure is recorded in Workers' Compensation Internal Service Fund.

NOTE 13 - Principal payments on long-term debt for the Enterprise Funds consists of the following:

| | |
|--|----------------------|
| Water and wastewater bond principal payments | \$ 28,845,960 |
| Golf capital lease payments | 166,851 |
| Total principal payments on long-term debt | <u>\$ 29,012,811</u> |

NOTE 14 - The following exclusions are included in Governmental Funds "Other Entities' Participation"
- Amounts received from other grants and donations:

| | |
|--|-------------------|
| Donations and Court Awards Fund | \$ 207,513 |
| Grants Fund | 12,601 |
| Total amounts received from other grants and donations | <u>\$ 220,114</u> |

NOTE 15 - The following exclusions are included in Governmental Funds amounts received from the State:

| | |
|--|---------------------|
| Amount Received from State | <u>Governmental</u> |
| Carryforward exclusions as of 6/30/22 | \$ 624,017 |
| Current year State grants | 2,044,539 |
| Current year Smart + Safe Proceeds | 1,401,018 |
| Current year grants exclusion used | (2,668,556) |
| Current year Smart + Safe exclusion used | <u>(652,749)</u> |
| Carryforward exclusions as of 6/30/23 | <u>\$ 748,269</u> |