

City of Mesa, Arizona

**Annual Expenditure Limitation Report
For Fiscal Year Ended June 30, 2019
Independent Accountants' Report**

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

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CliftonLarsonAllen LLP
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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report (report) of City of Mesa, Arizona (City), for the year ended June 30, 2019, and related notes to the report. The City's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) 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 UERS 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 procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Mesa, Arizona, referred to above, is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 3, 2020

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2019
(in thousands)

| | |
|---|----------------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ 602,790 |
| 2. Voter-approved alternative expenditure limitation (Approved November 4, 2014) | <u>1,820,000</u> |
| 3. Enter applicable amount from line 1 or 2 | <u>\$ 1,820,000</u> |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | <u>\$ 663,032</u> |
| 11. Amount under (in excess of) the expenditure limitation <i>(If excess expenditures are reported, provide an explanation)</i> | <u><u>\$ 1,156,968</u></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:

Name and Title:

Michael Kennington, Chief Financial Officer

Telephone Number :

480-644-3606 Date:

See accompanying notes to report.

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2019
(in thousands)

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Funds | Total |
|--|-----------------------|---------------------|------------------------------|--------------------|--------------|
| A. Amounts reported on the Reconciliation, Line D | \$ 632,272 | \$ 358,793 | \$ 136,453 | \$ - | \$ 1,127,518 |
| B. Less exclusions claimed: | | | | | |
| 1. Debt proceeds | 29,904 | 102,765 | - | - | 132,669 |
| 2. Debt service requirements | 36,483 | 81,554 | - | - | 118,037 |
| 3. Dividends, interest, and gains on the sale or redemption of investment securities | 6,382 | 8,004 | 2,889 | - | 17,275 |
| 4. Trustee or custodian | - | - | - | - | - |
| 5. Grants and aid from the Federal Government | 22,762 | 2,885 | - | - | 25,647 |
| 6. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes | 1,201 | 861 | - | - | 2,062 |
| 7. Amounts received from the State of Arizona | 422 | 41 | - | - | 463 |
| 8. Quasi-external interfund transactions | - | 6,359 | 97,679 | - | 104,038 |
| 9. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements | - | - | - | - | - |
| 10. Highway user revenues in excess of those received in fiscal year 1979-80 | 35,040 | - | - | - | 35,040 |
| 11. Contracts with other political subdivisions | 13,248 | 160 | - | - | 13,408 |
| 12. Refunds, reimbursements, and other recoveries | 461 | 2,117 | 401 | - | 2,979 |
| 13. Voter approved exclusions not identified above (attach resolution) | - | - | - | - | - |
| 14. Prior years carryforward | 6,038 | 6,830 | - | - | 12,868 |
| 15. Qualifying capital improvements expenditures repaid in accordance with A.R.S. §41-1279.07 | - | - | - | - | - |
| 16. Total exclusions claimed | 151,941 | 211,576 | 100,969 | - | 464,486 |
| C. Amounts subject to the expenditure limitation | \$ 480,331 | \$ 147,217 | \$ 35,484 | \$ - | \$ 663,032 |

If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero

Delete all exclusion item descriptions not used.

See accompanying notes to report

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2019
(in thousands)

| | 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 | \$ 651,807 | \$ 329,805 | \$ 137,903 | \$ - | \$ 1,119,515 |
| B. Subtractions: | | | | | |
| 1. Items not requiring use of current financial resources: | | | | | |
| Depreciation | - | 61,918 | 357 | - | 62,275 |
| Loss on disposal of capital assets | - | - | - | - | - |
| Non-cash Equity Interest in Joint Venture | - | - | - | - | - |
| Bad debt expense | - | 110 | - | - | 110 |
| Pension and other postemployment benefits (OPEB) expense | - | 5,365 | 1,173 | - | 6,538 |
| Claims incurred but not reported (IBNR) | - | - | 1,766 | - | 1,766 |
| Landfill closure and postclosure care costs | - | - | - | - | - |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes | 18,344 | - | - | - | 18,344 |
| 3. Required fees paid to the Arizona Department of Revenue | 1,191 | - | - | - | 1,191 |
| 4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception | - | - | - | - | - |
| 5. Involuntary court judgments | - | - | - | - | - |
| 6. Total Subtractions | 19,535 | 67,393 | 3,296 | \$ - | 90,224 |
| C. Additions: | | | | | |
| 1. Principal payments on long-term debt | - | 31,570 | - | - | 31,570 |
| 2. Capital asset acquisitions | - | 58,097 | 380 | - | 58,477 |
| 3. Amounts paid in the current year but reported as expenses in previous years: | | | | | |
| Claims previously recognized as IBNR | - | - | - | - | - |
| Landfill closure and postclosure care costs and pollution remediation | - | - | - | - | - |
| 4. Pension and OPEB contributions paid in the current year | - | 6,714 | 1,466 | - | 8,180 |
| 5. Total Additions | - | 96,381 | 1,846 | - | 98,227 |
| D. Amounts reported on Part II, Line A | \$ 632,272 | \$ 358,793 | \$ 136,453 | \$ - | \$ 1,127,518 |

Delete all subtraction and addition line item descriptions not used.

See accompanying notes to report

City of Mesa, Arizona
Notes to Annual Expenditures Limitation Report
Year Ended June 30, 2019
(In Thousands)

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, and in accordance with the voter-approved alternative expenditure limitation adopted November 4, 2014, as authorized by the Arizona Constitution, Article IX, §20(9).

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; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 - Reconciliation Subtractions and Additions

The subtraction for Bad Debt Expense is presented in Exhibit A-8 as a portion of the Total Operating Expenses. The subtractions for Pension and OPEB Expenses and additions for Pension and OPEB Contributions are part of Note 15 of the Notes to the Financial Statements. The subtractions for Claims Previously recognized as IBNR are the amounts paid in the current year but reported as expenses in previous years and are part of Exhibit C-4, Total Operating Expenses. The subtractions for Required Fees paid to the AZDOR are presented in Exhibit A-5 as a portion of the Total Expenditures for the Governmental Funds.

Note 3 – Debt Proceeds

The exclusions claimed for Debt Proceeds of \$29,904 in the Governmental Funds are presented in Exhibit C-2 Capital Projects, Total Other Financing Sources (Uses) (Excluding Community Facilities District). The exclusions claimed for Debt Proceeds of \$102,765 in the Enterprise Funds are presented in Exhibit A-9.

Note 4 – Debt Service Requirements for Bonded and Non-Bonded Debt

The exclusions claimed for Debt Service Requirements in the Governmental Funds of \$36,483 are presented in Exhibit C-2 Debt Service Funds, General Obligation Bonds, Total Expenditures. The exclusions claimed are limited to the allowable revenues. The exclusions claimed for Debt Service Requirements in the Enterprise Funds of \$81,554 consists of Principal Retirements and Interest Expense on the City's bonds as presented in Note 8 on page 57 of the Notes to the Financial Statements and Exhibit A-8.

Note 5 – Dividends, interest and gains on the sale or redemption of investment securities

The exclusion claimed for Dividends, Interest and Gains on the Sale or Redemption of Investment Securities of \$17,275 includes Interest on Investments expended which were recorded as Investment Income. Remaining revenues of \$3,690 have been carried forward to future years.

City of Mesa, Arizona
Notes to Annual Expenditures Limitation Report
Year Ended June 30, 2019
(In Thousands)

Note 6 – Grants and aid from the Federal Government, State of Arizona, Private Agencies, and Highway User Revenues

The following schedule presents revenues from which exclusions have been claimed for Federal Grants and Aid, amounts received from the State of Arizona, Grants Received from Private Agencies, and Highway User Revenues:

| Description | |
|--|------------------|
| Grants and aid from the federal government | \$ 25,647 |
| Amounts received from the State of AZ | 463 |
| Grants received from Private Agencies (See Note 7) | 2,062 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (See Note 9) | 35,040 |
| Contracts with other political subdivisions (See Note 8) | 13,408 |
| Other revenues (non-excludable) | 128,918 |
| Current year revenue amount carried forward | <u>10,603</u> |
| Total intergovernmental revenues as reported in the fund financial statements | <u>\$216,141</u> |

Note 7 – Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes

The exclusions claimed for amounts received from Private Agencies include grants from the Salt River Pima Maricopa and Gila River Indian Communities totaling \$590 and Miscellaneous Grants totaling \$10, which are presented in Exhibit A-5 as a portion of Intergovernmental Revenue. The balance of \$1,462 is Contributions in Aid, Developer Cash Contributions, and Donations which are presented in Exhibit A-5 as a portion of Miscellaneous Revenue and Exhibit A-8 as a portion of Capital Contributions.

Note 8 – Contracts with other political subdivisions

The exclusions claimed for contracts with other Political Subdivisions of \$13,408 are presented in Exhibit A-5, as a portion of Revenues: Intergovernmental and Exhibit A-8, Nonoperating Revenues (Expenses): Intergovernmental.

Note 9 – Highway User Revenues in excess of Fiscal Year 1979-80

The deduction for Highway User Revenues in excess of fiscal year 1979-80 was calculated as follows:

| | |
|---|------------------|
| HURF revenues received in FY19 | 43,157 |
| HURF revenues received in FY80 | <u>(1,894)</u> |
| Revenues available for exclusion | <u>\$ 41,263</u> |
| | |
| Actual FY19 HURF expenditures | \$ 36,934 |
| Amount equal to FY80 revenues expended in FY18 | <u>(1,894)</u> |
| Excludable HURF expenditures in FY19 | <u>\$ 35,040</u> |
| | |
| FY19 Revenues available for exclusion | \$ 41,263 |
| FY19 Revenues claimed as an exclusion | <u>35,040</u> |
| Unspent FY19 revenues available for carry forward | <u>\$ 6,223</u> |

City of Mesa, Arizona
Notes to Annual Expenditures Limitation Report
Year Ended June 30, 2019
(In Thousands)

Note 10 – Quasi-External Interfund Transactions

The exclusion claimed for Quasi-external Interfund Transactions of \$104,038 are presented in Exhibit A-5, as a portion of Revenues: Charges for Services, and Exhibit A-8, Operating Revenues: Charges for Services. Remaining revenues of \$34,845 have been carried forward to future years.

Note 11 – Refunds, reimbursements, and other recoveries

The exclusion claimed for Refunds, Reimbursements, and other recoveries of \$2,979 are presented in Exhibit A-5, as a portion of Revenues: Miscellaneous and Exhibit A-8, Nonoperating Revenues (Expenses): Miscellaneous Revenue. Remaining revenues of \$54 have been carried forward to future years.

Note 12 – Prior Years Carryforward

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

| <u>Description</u> | <u>Governmental Funds</u> | <u>Enterprise Funds</u> |
|---|-------------------------------|-----------------------------|
| Debt Proceeds | \$ - | \$ 996 |
| Grants and Aid From the Federal Government | 6,038 | - |
| Contracts With Other Political Subdivisions | - | 5,779 |
| Refunds, Reimbursements, and Other Recoveries | - | 55 |
| | <u>\$ 6,038</u> | <u>\$ 6,830</u> |