



# **CITY OF TEMPE, ARIZONA**

**Annual Expenditure Limitation Report  
Year Ended June 30, 2022**

# CITY OF TEMPE, ARIZONA

## Annual Expenditure Limitation Report Year Ended June 30, 2022

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## 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, 2022, 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 24, 2023

**CITY OF TEMPE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART I  
YEAR ENDED JUNE 30, 2022**

1.	Economic Estimates Commission expenditure limitation	\$571,106,148	
2.	Voter-approved alternative expenditure limitation (Approved - N/A)	-	
3.	Enter applicable amount from line 1 or 2		\$571,106,148
4.	Amount subject to the expenditure limitation (total amount from Part II, Line C)	299,695,861	
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	299,695,861	
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>299,695,861</u>
11.	Amount under (in excess of) the expenditure limitation (if excess expenditures are reported, provide an explanation)		<u><u>\$271,410,287</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 Fiscal Officer: \_\_\_\_\_  
 Name and Title: Thomas F. Duensing, CPA, Deputy City Manager-Chief Fiscal Officer  
 Telephone No.: (480) 350-8505 Date: March 24, 2023

See accompanying notes to report.

**CITY OF TEMPE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART II  
YEAR ENDED JUNE 30, 2022**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Fund	Total
A. Amounts reported on the Reconciliation, Line D	\$ 758,084,486	\$ 155,669,532	\$ 46,028,418	\$ 9,642,039	\$ 969,424,475
B. Less exclusions claimed:					
1. Debt proceeds (Note 2)	385,931,670	59,913,447	-	-	445,845,117
2. (a) Debt service requirements on bonded indebtedness (Note 3)	87,236,212	34,905,794	-	-	122,142,006
3. Trustee or custodian	-	-	-	9,642,039	9,642,039
4. Grants and aid from the federal government (Note 4)	27,652,142	-	-	-	27,652,142
5. Amounts received from grants and donations (Note 15)	227,385	-	-	-	227,385
6. Amounts received from the State (Note 16)	2,224,270	-	-	-	2,224,270
7. Quasi-external interfund transaction (Note 5)	-	4,152,099	46,028,418	-	50,180,517
8. Highway user revenues in excess of fiscal year 1979-80 highway user revenues (Note 6)	9,527,382	-	-	-	9,527,382
9. Contracts with other political subdivisions (Note 7)	760,397	1,130,309	-	-	1,890,706
10. Prior years' carryforward (Note 2)	397,049	-	-	-	397,049
Total exclusions claimed	513,956,507	100,101,649	46,028,418	9,642,039	669,728,613
C. Amount subject to the expenditure limitation. (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	\$ 244,127,979	\$ 55,567,883	\$ -	\$ -	\$ 299,695,861

See accompanying notes to report.

**CITY OF TEMPE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION  
YEAR ENDED JUNE 30, 2022**

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.	\$ 759,314,032	\$ 118,339,621	\$ 45,944,946	\$ 9,642,039	\$ 933,240,638
B. Subtractions					
1. Items not requiring the use of working capital:					
Depreciation	-	27,891,403	-	-	27,891,403
Loss on Joint Venture	-	6,877,408	-	-	6,877,408
Pension and OPEB Expense (Note 9)	-	2,403,584	396	-	2,403,980
Claims incurred but not reported (Note 10)	-	-	8,375,872	-	8,375,872
2. Expenditures of separate legal entity established under Arizona Revised Statutes (Note 11)	1,218,839	-	-	-	1,218,839
3. Required fees paid to the Industrial Commission of Arizona (Note 12)	-	-	507,144	-	507,144
4. Present value of net minimum lease and finance purchase contract payments recorded as expenditures at the agreements' inception (Note 8)	10,707	173,758	-	-	184,465
Total subtractions	1,229,546	37,346,153	8,883,412	-	47,459,111
C. Additions:					
1. Principal payments on long-term debt (Note 13)	-	25,232,227	-	-	25,232,227
2. Capital asset acquisitions	-	47,368,241	-	-	47,368,241
3. Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (Note 10)	-	-	8,906,056	-	8,906,056
4. Pension and OPEB contributions (Note 9) paid in the current year	-	2,075,596	60,828	-	2,136,424
Total additions	-	74,676,064	8,966,884	-	83,642,948
D. Amounts reported on Part II, Line A	\$ 758,084,486	\$ 155,669,532	\$ 46,028,418	\$ 9,642,039	\$ 969,424,475

See accompanying notes to report.

**CITY OF TEMPE, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2022**

**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:

**Bond Proceeds**

	Governmental	Enterprise
Carryforward exclusions as of 6/30/21	\$ 397,049	\$ -
Current year bond proceeds and premium	389,084,004	61,035,251
Carryforward and prior year bond exclusions utilized	(397,049)	-
Current year bond proceeds and premium utilized	(385,931,670)	(59,913,447)
Carryforward exclusions as of 6/30/22	\$ 3,036,101	\$ 1,121,804

**Interest Earnings**

	Governmental	Enterprise
Carryforward exclusions as of 6/30/21	\$ 69,244,884	\$ 26,443,994
Carryforward exclusions as of 6/30/22	\$ 69,244,884	\$ 26,443,994

**CITY OF TEMPE, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2022**

**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 – Governmental funds	\$ 18,570,635
Principal paid on bonds – Governmental funds	31,022,000
Refunding payment	<u>37,643,577</u>
Current year debt service requirements	
On bonded indebtedness	<u>\$ 87,236,212</u>

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

Interest and fiscal fees - Water and wastewater	\$ 9,833,784
Principal paid on bonds - Water and wastewater	<u>25,072,010</u>
Current year debt service requirements	
On bonded indebtedness	<u>\$ 34,905,794</u>

**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	\$ 29,447,181
Current year unavailable revenue- Federal grants	(664,214)
Prior year unavailable revenue- Federal grants	(1,007,930)
Prior year Federal grant reserves utilized	(30,941)
Federal aid received	128,142
Exclusions cannot use as over expenditures	<u>(220,096)</u>
Current year exclusion used	<u>\$27,652,142</u>

**NOTE 5 -** The exclusion of \$4,152,099 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 \$46,028,418 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.

**Charges for Services**

	<u>Internal Service</u>
Carryforward exclusions as of 6/30/21	\$ 14,927,071
Current year charges for services	46,847,581
Current year exclusion used	<u>(46,028,418)</u>
Carryforward exclusions as of 6/30/22	<u>\$ 15,746,234</u>



**CITY OF TEMPE, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 6 -** The highway user revenue earned more than the amounts received in fiscal year 1979-80 by \$12,642,942 and is included in "State Sales Tax". The carryforward balance is as follows:

Carryforward HURF funds as of 6/30/21		\$ 8,344,985
Current year HURF funds available for exclusion		12,642,942
Current year HURF funds utilized	<u>(9,527,382)</u>	
Total HURF funds utilized		<u>(9,527,382)</u>
Carryforward HURF funds as of 6/30/22		<u>\$ 11,460,545</u>

**NOTE 7 -** The exclusions claimed for the contracts with other political subdivisions in the Enterprise Funds of \$1,130,309 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 \$760,397 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 \$10,707 of subtraction claimed in the Governmental Funds relates to a finance purchase of copiers.

The \$173,758 of subtraction claimed in the Enterprise Funds relates to a finance purchase of golf carts and was charged to the Golf Fund.

**NOTE 9 -** The subtraction for pension and OPEB consists of the change in the net pension liabilities recognized in the current year in the Enterprise Funds and Internal Service Funds.

	Enterprise	Internal Service
Subtraction of pension expense	\$ 1,625,474	\$ (5,866)
Subtraction of OPEB expense	778,110	6,262
	\$ 2,403,584	\$ 396

The addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made from the Enterprise Funds and Internal Service Funds.

	Enterprise	Internal Service
Addition of pension contributions paid in the current year	\$ 2,008,696	\$ 58,868
Addition of OPEB contributions paid in the current year	66,900	1,960
	\$ 2,075,596	\$ 60,828
Total	\$ 327,988	\$ (60,432)

**CITY OF TEMPE, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2022**

The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to amounts reported on the statement of cash flows' net effect on cash.

	<u>Enterprise</u>	<u>Internal Service</u>
Statement of Cashflow:		
Change in net OPEB asset	\$ (609,283)	\$ (17,587)
Change in deferred inflows related to pensions	6,125,874	180,247
Change in deferred inflows related to OPEB	103,183	8,292
Change in deferred outflows related to pensions	(228,703)	(5,019)
Change in deferred outflows related to OPEB	(300,655)	(1,294)
Change in net pension liability	(6,280,393)	(249,000)
Change in net OPEB liability	(1,517,965)	(236,697)
Total	<u>\$ 327,988</u>	<u>\$ (72,058)</u>

**NOTE 10 -** The \$8,375,872 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 \$8,906,056 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.

	<u>IBNR 6/30/22</u>	<u>IBNR 6/30/21</u>
General liability	\$ 1,245,877	\$ 1,388,545
Automobile liability	152,075	1,224,725
Property liability	38,281	127,590
Workers' compensation	4,941,051	4,413,992
Health insurance	1,998,588	1,751,204
Total	<u>\$ 8,375,872</u>	<u>\$ 8,906,056</u>

**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	\$ 5,155,882
Debt service expenditures	(2,941,019)
City's portion of expenditure (not deductible)	(996,024)
Total expenditure deducted as a separate legal entity	<u>\$ 1,218,839</u>

**CITY OF TEMPE, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 12 -** The \$507,144 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	\$ 25,072,010
Golf capital lease payments	160,217
Total principal payments on long-term debt	\$ 25,232,227

**NOTE 15 -** The following exclusions are included in Governmental Funds "Other Entities' Participation":

Amounts received from other grants and donations:

Donations and Court Awards Fund	\$ 237,135
Grants Fund	(9,750)
Total amounts received from other grants and donations	\$ 227,385

**NOTE 16 -** The following exclusions are included in Governmental Funds amounts received from the State:

**Amount Received from State**

	Governmental
Carryforward exclusions as of 6/30/21	\$ 309,933
Current year State grants	1,392,468
Current year Smart + Safe Proceeds	1,145,886
Current year grants exclusion used	(1,702,401)
Current year Smart + Safe exclusion used	(521,869)
Carryforward exclusions as of 6/30/22	\$ 624,017