

City of Mesa, Arizona

**Annual Expenditure Limitation Report
For Fiscal Year Ended June 30, 2015
Independent Auditors' Report**

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and the City Council
City of Mesa, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Mesa, Arizona, for the year ended June 30, 2015. This report is the responsibility of City of Mesa, Arizona's management. 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Mesa, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 16, 2016

CITY OF MESA, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 YEAR ENDED JUNE 30, 2015
 (in thousands)

1. Economic Estimates Commission expenditure limitation	\$	529,442
2. Voter-approved alternative expenditure limitation (Approved November 2, 2010)		1,340,000
3. Enter applicable amount from line 1 or 2		\$ 1,340,000
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$	594,154
11. Amount under (in excess of) the expenditure limitation <i>(If excess expenditures are reported, provide an explanation)</i>	\$	745,846

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: 2.17.16

If any of the provisions of the Arizona Constitution, Article IX, §20(2)(a), (b), or (c), or A.R.S. § 41-1279.07(l) apply to the City/Town, use the long form Part I on page VI-17 of the UERS Manual.

See accompanying notes to report.

CITY OF MESA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2015
(in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 545,315	\$ 396,869	\$ 100,675	\$ -	\$ 1,042,859
B. Less exclusions claimed:					
1. Bond Proceeds	13,796	133,465	-	-	147,261
Debt service requirements on bonded indebtedness	39,487	61,977	-	-	101,464
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long term obligations	-	144	-	-	144
2. Dividends, interest, and gains on the sale or redemption of investment securities	1,244	1,141	-	-	2,385
3. Trustee or custodian	-	-	-	-	-
4. Grants and aid from the Federal Government	27,535	2,853	-	-	30,388
5. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	1,292	5,716	-	-	7,008
6. Amounts received from the State	513	1,852	-	-	2,364
7. Quasi-external interfund transactions	-	5,624	83,863	-	89,486
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	24,189	-	-	-	24,189
10. Contracts with other political subdivisions	10,469	158	-	-	10,626
11. Refunds, reimbursements & other recoveries	197	-	215	-	412
12. Voter approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward	32,977	-	-	-	32,977
14. Total exclusions claimed	151,698	212,929	84,078	-	448,705
C. Amount subject to the expenditure limitation (if an individual fund type amount is negative, reduce exclusions claimed to net to zero)	\$ 393,617	\$ 183,941	\$ 16,597	\$ -	\$ 594,154

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, 2015
(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-based financial statements	\$ 551,969	\$ 315,209	\$ 99,577	\$ -	\$ 966,755
B. Subtractions:					
1. Items not requiring use of current financial resources:					
Depreciation	-	67,422	417	-	67,839
Loss on disposal of capital assets	-	21,027	-	-	21,027
Bad debt expense	-	1,310	-	-	1,310
Other postemployment benefits (OPEB) expense	-	4,529	889	-	5,417
Pension Expense	-	2,488	615	-	3,102
Claims incurred but not reported (IBNR)	-	-	-	-	-
Non-cash Equity Interest in Joint Venture	-	16,261	-	-	16,261
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes A.R.S.)	6,654	-	-	-	6,654
3. Required fees paid to the Arizona Department of Revenue	-	-	-	-	-
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-	-
5. Involuntary court judgments	-	-	-	-	-
6. Total Subtractions	6,654	113,037	1,920	\$ -	121,611
C. Additions:					
1. Principal payments on long-term debt	-	118,802	-	-	118,802
2. Acquisition of capital assets	-	72,882	876	-	73,758
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB	-	-	-	-	-
Claims previously recognized as IBNR	-	-	1,390	-	1,390
Landfill closure and postclosure care costs	-	-	-	-	-
4. Pension contributions	-	3,013	752	-	3,765
6. Total Additions	-	194,697	3,017	-	197,715
D. Amounts reported on Part II, Line A	\$ 545,315	\$ 396,869	\$ 100,675	\$ -	\$ 1,042,859

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, 2015
(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 2, 2010, as authorized by the Arizona Constitution, Article IX, §20(9).

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. 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 subtractions for Bad Debt Expense and Other Postemployment Benefits Expense are part of Exhibit A-8, Total Operating Expenses. The subtractions for Pension Expense and additions for Pension Contributions are part of Note 15 of the Notes to the Financial Statements.

Note 3 – Bond Proceeds

The exclusions claimed for Bond Proceeds of \$13,796 in the Governmental Funds are presented in Exhibit C-2 Capital Projects, Total Expenditures (Excluding Vehicle Replacement and Eastmark) less Total Revenues (Excluding Vehicle Replacement and Eastmark). The exclusions claimed for Bond Proceeds of \$133,465 in the Enterprise Funds are presented in Exhibit A-9.

Note 4 – Debt Service Requirements

The exclusions claimed for Debt Service Requirements in the Governmental Funds of \$39,487 are presented in Exhibit C-2 Debt Service Funds, Total Revenues (Excluding Capital Lease Redemption, Eastmark Debt Service, and Special Assessment Bond Redemption). The exclusions claimed are limited to the allowable revenues. The exclusions claimed for Debt Service Requirements in the Enterprise Funds of \$61,977 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 – Debt Service Requirements – Non Bonded Debt

The exclusions claimed for Debt Service Requirements – Non Bonded Debt in the Enterprise Funds of \$144 consists of Notes Payable and Interest Expense on the City's Notes Payable as presented in Note 8 on page 57 of the Notes to the Financial Statements and Exhibit A-8.

Note 6 – Interest and gains on the sale or redemption of investment securities

The exclusion claimed for Interest and Gains on the Sale or Redemption of Investment Securities of \$2,385 includes Interest on Investments expended which were recorded as Investment Income. Remaining revenues of \$66,575 have been carried forward to future years.

City of Mesa, Arizona
Notes to Annual Expenditures Limitation Report
Year Ended June 30, 2015
(In Thousands)

Note 7 –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	\$ 30,388
Amounts received from the State of AZ	2,364
Grants received from Private Agencies (See Note 8)	7,008
Highway user revenues in excess of those received in fiscal year 1979-80 (See Note 10)	24,189
Contracts with other political subdivisions (See Note 9)	10,626
Other revenues (non-excludable)	101,737
Current year revenue amount carried forward	<u>9,374</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$185,686</u>

Note 8 – 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 \$200, which are presented in Exhibit A-5 as a portion of Intergovernmental Revenue. The balance of \$6,808 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 9 – Contracts with other political subdivisions

The exclusions claimed for contracts with other Political Subdivisions of \$10,626 are presented in Exhibit A-5, as a portion of Revenues: Intergovernmental and Exhibit A-8, Nonoperating Revenues (Expenses): Intergovernmental. Remaining revenues of \$9,780 have been carried forward to future years.

Note 10 – 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 FY15	33,903
HURF revenues received in FY80	<u>(1,894)</u>
Revenues available for exclusion	<u>\$ 32,009</u>
Actual FY15 HURF expenditures	\$ 26,083
Amount equal to FY80 revenues expended in FY14	<u>(1,894)</u>
Excludable HURF expenditures in FY15	<u>\$ 24,189</u>
FY15 Revenues available for exclusion	\$ 32,009
FY15 Revenues claimed as an exclusion	<u>24,189</u>
Unspent FY15 revenues available for carry forward	<u>\$ 7,820</u>

City of Mesa, Arizona
Notes to Annual Expenditures Limitation Report
Year Ended June 30, 2015
(In Thousands)

Note 11 – Quasi-External Interfund Transactions

The exclusion claimed for Quasi-external Interfund Transactions of \$89,486 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 \$31,677 have been carried forward to future years.

Note 12 – Refunds, reimbursements, and other recoveries

The exclusion claimed for Refunds, Reimbursements, and other recoveries of \$412 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 13 – 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:

Description	Governmental Funds
Bond Proceeds	\$ 31,077
Grants and aid from the Federal Government	600
Contracts with Other Political Subdivisions	<u>1,300</u>
Total prior years carryforwards expended	<u>\$ 32,977</u>