

# **City of Mesa, Arizona**

**Annual Expenditure Limitation Report  
For Fiscal Year Ended June 30, 2016  
Independent Auditors' Report**

CITY OF MESA, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT

~ TABLE OF CONTENTS ~	PAGE
INDEPENDENT AUDITORS' REPORT	Page 1
ANNUAL EXPENDITURE LIMITATION REPORT - PART I	Page 2
ANNUAL EXPENDITURE LIMITATION REPORT - PART II	Page 3
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION	Page 4
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT	Page 5

## 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, 2016. 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 28, 2017

CITY OF MESA, ARIZONA  
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I  
 YEAR ENDED JUNE 30, 2016  
 (in thousands)

1. Economic Estimates Commission expenditure limitation	\$	545,879
2. Voter-approved alternative expenditure limitation (Approved November 4, 2014)		<u>1,610,000</u>
3. Enter applicable amount from line 1 or 2		<u>\$ 1,610,000</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$	<u>553,990</u>
11. Amount under (in excess of) the expenditure limitation <i>(If excess expenditures are reported, provide an explanation)</i>		<u>\$ 1,056,010</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:  CFO      Michael Kennington, Chief Financial Officer  
 Telephone Number: 480-644-3606      480-644-3606      Date: 3/1/2017

***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, 2016  
(in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 650,325	\$ 447,806	\$ 110,636	\$ -	\$ 1,208,767
B. Less exclusions claimed:					
1. Bond Proceeds	38,722	230,757	-	-	269,479
Debt service requirements on bonded indebtedness	34,098	70,656	-	-	104,754
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long term obligations	3,982	146	-	-	4,128
2. Dividends, interest, and gains on the sale or redemption of investment securities	1,228	3,020	719	-	4,967
3. Trustee or custodian	-	-	-	-	-
4. Grants and aid from the Federal Government	24,318	3,843	-	-	28,161
5. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	2,080	1,599	-	-	3,679
6. Amounts received from the State	331	280	-	-	611
7. Quasi-external interfund transactions	-	5,920	84,886	-	90,806
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	29,571	-	-	-	29,571
10. Contracts with other political subdivisions	13,997	158	-	-	14,155
11. Refunds, reimbursements and other recoveries	212	-	216	-	428
12. Voter approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward	101,857	-	2,181	-	104,038
14. Total exclusions claimed	<u>250,396</u>	<u>316,379</u>	<u>88,002</u>	<u>-</u>	<u>654,777</u>
C. Amount subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero)	<u>\$ 399,929</u>	<u>\$ 131,427</u>	<u>\$ 22,634</u>	<u>\$ -</u>	<u>\$ 553,990</u>

*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, 2016  
(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	\$ 662,777	\$ 300,366	\$ 111,982	\$ -	\$ 1,075,125
B. Subtractions:					
1. Items not requiring use of current financial resources:					
Depreciation	-	67,883	509	-	68,392
Loss on disposal of capital assets	-	10,019	-	-	10,019
Non-cash Equity Interest in Joint Venture	-	4,228	-	-	4,228
Bad debt expense	-	2,348	-	-	2,348
Other postemployment benefits (OPEB) expense	-	3,883	751	-	4,634
Pension Expense	-	2,113	534	-	2,647
Claims incurred but not reported (IBNR)	-	-	497	-	497
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes A.R.S.)	11,165	-	-	-	11,165
3. Required fees paid to the Arizona Department of Revenue	1,287	-	-	-	1,287
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	12,452	90,474	2,291	\$ -	105,217
C. Additions:					
1. Principal payments on long-term debt	-	177,721	-	-	177,721
2. Acquisition of capital assets	-	57,039	148	-	57,187
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB	-	-	-	-	-
Claims previously recognized as IBNR	-	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-	-
4. Pension contributions	-	3,154	797	-	3,951
6. Total Additions	-	237,914	945	-	238,859
D. Amounts reported on Part II, Line A	\$ 650,325	\$ 447,806	\$ 110,636	\$ -	\$ 1,208,767

*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, 2016  
(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 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 \$38,722 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 Bond Proceeds of \$230,757 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 \$34,098 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 \$70,656 consists of Principal Retirements and Interest Expense on the City's bonds as presented in Note 8 on page 59 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 Governmental Funds of \$3,982 consists of Principal and Interest as presented on Exhibit A-5 Highway Project Advancement Notes. The exclusions claimed in the Enterprise Funds of \$146 consists of Notes Payable and Interest Expense on the City's Notes Payable as presented in Note 8 on page 59 of the Notes to the Financial Statements and Exhibit A-8.

City of Mesa, Arizona  
Notes to Annual Expenditures Limitation Report  
Year Ended June 30, 2016  
(In Thousands)

**Note 6 – 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 \$4,967 includes Interest on Investments expended which were recorded as Investment Income. Remaining revenues of \$66,838 have been carried forward to future years.

**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	\$ 28,161
Amounts received from the State of AZ	611
Grants received from Private Agencies (See Note 8)	3,679
Highway user revenues in excess of those received in fiscal year 1979-80 (See Note 10)	29,571
Contracts with other political subdivisions (See Note 9)	14,155
Other revenues (non-excludable)	87,745
Current year revenue amount carried forward	<u>27,705</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$191,627</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 \$184 and grants from ADOT totaling \$731, which are presented in Exhibit A-5 as a portion of Intergovernmental Revenue. The balance of \$2,764 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 \$14,155 are presented in Exhibit A-5, as a portion of Revenues: Intergovernmental and Exhibit A-8, Nonoperating Revenues (Expenses): Intergovernmental. Remaining revenues of \$5,779 have been carried forward to future years.



City of Mesa, Arizona  
Notes to Annual Expenditures Limitation Report  
Year Ended June 30, 2016  
(In Thousands)

**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 FY16	35,403
HURF revenues received in FY80	<u>(1,894)</u>
Revenues available for exclusion	<u>\$ 33,509</u>
Actual FY16 HURF expenditures	\$ 31,465
Amount equal to FY80 revenues expended in FY15	<u>(1,894)</u>
Excludable HURF expenditures in FY16	<u>\$ 29,571</u>
FY16 Revenues available for exclusion	\$ 33,509
FY16 Revenues claimed as an exclusion	<u>29,571</u>
Unspent FY16 revenues available for carry forward	<u>\$ 3,938</u>

**Note 11 – Quasi-External Interfund Transactions**

The exclusion claimed for Quasi-external Interfund Transactions of \$90,806 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 \$29,496 have been carried forward to future years.

**Note 12 – Refunds, reimbursements, and other recoveries**

The exclusion claimed for Refunds, Reimbursements, and other recoveries of \$428 are presented in Exhibit A-5, as a portion of Revenues: Miscellaneous and Exhibit A-8, Nonoperating Revenues (Expenses): Miscellaneous Revenue. Remaining revenues of \$109 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	Internal Service Funds
Bond Proceeds	\$ 12,982	
Proceeds from Other Long-Term Obligations	570	
Debt Service Requirements Non-Bonded Debt (HPAN)	74,177	
Grants and aid from the Federal Government	5,841	
Grants received from Private Agencies	4,286	
Contracts with Other Political Subdivisions	<u>4,001</u>	
Quasi External Interfund Transactions		<u>\$ 2,181</u>
 Total prior years carryforwards expended	 <u>\$ 101,857</u>	 <u>\$ 2,181</u>