

**CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012**

**CITY OF TEMPE, ARIZONA
REPORT ON AUDIT OF ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

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

We have audited the accompanying Annual Expenditure Limitation Report of the City of Tempe, Arizona, for the year ended June 30, 2012. This report is the responsibility of the City of Tempe's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the City of Tempe, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.


HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

February 25, 2013

**CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2012**

1.	Economic Estimates Commission expenditure limitation	\$285,252,583	
2.	Voter-approved alternative expenditure limitation (Approved - N/A)	-	
3.	Enter applicable amount from line 1 or 2		\$285,252,583
4.	Amount subject to the expenditure limitation (total amount from Part II, Line C)	265,694,956	
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	265,694,956	
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>265,694,956</u>
11.	Amount under (in excess of) the expenditure limitation (if excess expenditures are reported, provide an explanation)		<u><u>\$19,557,627</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: Kenneth Jones, Finance and Technology Director
Telephone No.: (480) 350-8504 Date: February 25, 2013

See accompanying notes to report.

**CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2012**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	<u>\$347,449,141</u>	<u>\$ 102,972,985</u>	<u>\$ 28,638,587</u>	<u>\$ 479,060,713</u>
B. Less exclusions claimed:				
1. (a) Bond proceeds (Note 2)	6,552,846	9,000,000	-	15,552,846
(b) Debt service requirements on bonded indebtedness (Note 3)	89,917,352	31,430,480		121,347,832
(c) Debt service requirements on other long-term obligations (Note 4)	45,068	-	-	45,068
2. Dividends, interest and gains on the sale or redemption of investment securities (Note 2)	-	-	-	-
3. Grants and aid from the federal government (Note 12)	24,736,371	-	-	24,736,371
4. Amounts received from the state (Note 5)	554,387	-	-	554,387
5. Quasi-external interfund transaction (Note 6)	-	2,964,111	27,667,840	30,631,951
6. Highway user revenues in excess of fiscal year 1979-80 highway user revenues (Note 7)	5,257,253	-	-	5,257,253
7. Contracts with other political subdivisions (Note 8)	8,834,368	932,116	-	9,766,484
8. Reimbursements (Note 9)	514,461	-		514,461
9. Prior years' carryforward (Note 2, 13)	4,959,106	-	-	4,959,106
10. Total exclusions claimed	<u>141,371,211</u>	<u>44,326,707</u>	<u>27,667,840</u>	<u>213,365,757</u>
C. Amount subject to the expenditure limitation. (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 206,077,930</u>	<u>\$ 58,646,278</u>	<u>\$ 970,747</u>	<u>\$ 265,694,956</u>

**CITY OF TEMPE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2012**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements.	\$348,590,266	\$89,571,255	\$28,638,587	\$466,800,108
B. Subtractions				
1. Items not requiring the use of working capital:				
Depreciation	-	18,137,341	-	18,137,341
Loss on Joint Venture	-	6,676,717	-	6,676,717
2. Expenditures of separate legal entity established under Arizona Revised Statutes (Note 10)	1,141,125	-	-	1,141,125
3. OPEB Expense (Note 11)	-	1,198,751	-	1,198,751
Total subtractions	<u>1,141,125</u>	<u>26,012,809</u>	<u>-</u>	<u>27,153,934</u>
C. Additions:				
1. Principal payments on long-term debt	-	18,319,433	-	18,319,433
2. Acquisition of capital assets	-	20,358,965	-	20,358,965
3. Investment in Joint Venture	-	473,100	-	473,100
4. Other postemployment benefits paid in the current year but reported as expenses in the prior year (Note 11)	-	263,041	-	263,041
Total additions	<u>-</u>	<u>39,414,539</u>	<u>-</u>	<u>39,414,539</u>
D. Amounts reported on Part II, Line A	<u>\$ 347,449,141</u>	<u>\$ 102,972,985</u>	<u>\$ 28,638,587</u>	<u>\$ 479,060,713</u>

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, which 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-based 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. 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 Fund Net Assets for the Proprietary Funds or the Statement of Cash Flows for the Proprietary Funds.*

NOTE 2 - Bond proceeds and interest earnings are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The rollforward of carryforward exclusions is as follows:

	<u>Governmental</u>	<u>Enterprise</u>
Carryforward exclusions as of 6/30/11	\$ 7,764,209	\$ -
Current year bond proceeds and premium	7,005,000	9,000,000
Prior year bond proceeds utilized	(4,959,106)	-
Current year bond proceeds and premium utilized	(6,552,846)	(9,000,000)
Bond proceeds transferred to Debt Service	(13,517)	-
Carryforward exclusions as of 6/30/12	<u>\$ 3,243,740</u>	<u>\$ -</u>
	<u>Governmental</u>	<u>Enterprise</u>
Carryforward interest exclusions as of 6/30/11	\$ 50,211,236	\$ 16,964,617
Current year interest earnings	822,900	355,297
Current year interest earnings utilized	-	-
Prior year interest earnings utilized	-	-
Carryforward interest exclusions as of 6/30/12	<u>\$ 51,034,136</u>	<u>\$ 17,299,914</u>

Of the \$9,000,000 in current year bond proceeds and premium in the Enterprise Funds, \$8,390,000 is included in “Proceeds from Sale of Bonds” and \$610,000 is included in “Interest and Fiscal Fees” on the *Statement of Cash Flows – Proprietary Funds.*

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

NOTE 3 - The exclusions claimed for debt service requirements on bonded indebtedness in the Governmental Funds consisted of principal retirement, interest and fiscal fees, and payment to refunded bond escrow agent.

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

Interest and fiscal fees	\$ 13,111,047
Principal paid on bonds	<u>18,319,433</u>
	<u><u>\$ 31,430,480</u></u>

NOTE 4 - The \$45,068 of exclusions claimed for debt service requirements on other long-term obligations relate to capital leases. \$13,988 relates to exercise equipment which was charged to the fire department and \$31,080 relates to a copier which was charged to the finance and technology department.

NOTE 5 - The amounts received from the State is calculated as follows:

State grants-Governmental funds	\$ 554,387
	<u>\$ 554,387</u>

NOTE 6 - The exclusion of \$2,964,111 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 \$27,667,840 in the Internal Service Funds relates to charges for services paid to the Internal Service Funds for risk management 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.

NOTE 7 - The highway user revenue earned in excess of the amounts received in fiscal year 1979-80 was \$6,335,123 and is included in "State Sales Tax". Of the \$6,335,123 earned as exclusions in 2011-12, \$5,257,253 was used for the current year exclusion and the remainder will be carried forward to future years.

	<u>Governmental</u>
Carryforward HURF funds as of 6/30/11	\$ 14,678,903
Current year HURF funds received	6,335,123
Current year HURF funds utilized	(5,257,253)
Prior year HURF funds utilized	-
Carryforward HURF funds as of 6/30/12	<u><u>\$ 15,756,773</u></u>

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

NOTE 8 - The exclusions claimed for the contracts with other political subdivisions in the Enterprise Funds of \$932,116 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 \$8,834,368 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 9 - The following reimbursements are included in Governmental Funds "Other Entities' Participation".

Parks and Recreation Capital Improvements	\$ 25,000
Rio Salado Capital Improvements	465,711
Signal Capital Improvements	<u>23,750</u>
Total Reimbursements	<u><u>\$ 514,461</u></u>

NOTE 10 - 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 45.37% 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	\$ 5,233,147
Debt service expenditures	(3,144,322)
City's portion of expenditure (not deductible)	<u>(947,700)</u>
Total expenditure deducted as a separate legal entity (Line B2)	<u><u>\$ 1,141,125</u></u>

NOTE 11 - The subtraction for OPEB expense of \$1,198,751 in the Enterprise Funds was reported as water and wastewater, solid waste, golf course and cemetery operating expenses. The addition for OPEB paid in the current year but reported as expenses in previous years of \$263,041 was reported as personnel services expenses.

NOTE 12 - Federal grant revenues are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The rollforward of carryforward exclusions is as follows:

	Governmental
Carryforward exclusions as of 6/30/11	\$ 1,472,851
Current year federal grant revenues	26,136,371
Prior year federal grant revenues utilized	(1,472,851)
Current year federal grant revenues utilized	<u>(23,263,520)</u>
Carryforward exclusions as of 6/30/12	<u><u>\$ 2,872,851</u></u>

CITY OF TEMPE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

NOTE 13 - Prior years' carryforward exclusions for the governmental funds consists of the following:

Bond Proceeds	<u>Governmental</u> \$ 4,959,106
Total exclusions used as of 06/30/12	<u><u>\$ 4,959,106</u></u>