

TOWN OF GILBERT, ARIZONA

Annual Expenditure Limitation Report

June 30, 2022

(With Independent Accountant's Report Thereon)

Town of Gilbert
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 and
The Honorable Mayor and Town Council
of the Town of Gilbert, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Gilbert, Arizona for the year ended June 30, 2022, and the related notes to the report. The Town'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 AICPA. 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 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.
Tucson, Arizona
March 20, 2023

Town of Gilbert
 Annual Expenditure Limitation Report—Part I
 Year ended June 30, 2022

<u>1.</u> Economic Estimates Commission expenditure limitation	\$ 461,713,091	
<u>2.</u> Voter-approved alternative expenditure limitation (approved _____)	<u>-</u>	
<u>3.</u> Enter applicable amount from line 1 or line 2		\$ 461,713,091
<u>4.</u> Amount subject to the expenditure limitation (total amount from Part II, line C)	\$ 346,397,517	
<u>5.</u> Board-authorized expenditures necessitated by a disaster the Governor declared	<u>-</u>	
<u>6.</u> Board-authorized expenditures necessitated by a disaster the Governor did not declare	<u>-</u>	
<u>7.</u> Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year	<u>-</u>	
<u>8.</u> Subtotal		\$ 346,397,517
<u>9.</u> Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	+ <u>-</u>	
<u>10.</u> Total adjusted amount subject to the expenditure limitation		\$ 346,397,517
<u>11.</u> Amount under (in excess of) the expenditure limitation		\$ <u><u>115,315,574</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: Håkon Johanson, Director of Finance and Management Services

Telephone number: (480) 503-6902

Date: 3/20/2023

See accompanying notes to report.

Town of Gilbert
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2022

Description	Governmental funds	Enterprise funds	Internal service funds	Total
<u>A.</u> Amounts reported on the Reconciliation, line D	\$ 317,055,264	\$ 125,612,994	\$ 37,960,811	\$ 480,629,069
<u>B.</u> Less exclusions claimed:				
<u>1.</u> Debt proceeds	2,913,453	-	-	2,913,453
<u>2.</u> Debt service requirements	37,822,088	-	-	37,822,088
<u>3.</u> Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-	-
<u>5.</u> Grants and aid from the federal government	8,692,297	-	-	8,692,297
<u>6.</u> Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	5,550,197	-	-	5,550,197
<u>7.</u> Amounts received from the State of Arizona	2,454,071	-	-	2,454,071
<u>8.</u> Quasi-external interfund transactions	6,029,730	1,149,856	33,997,339	41,176,925
<u>10.</u> Highway user revenues in excess of those received in fiscal year 1979-80	14,666,404	-	-	14,666,404
<u>11.</u> Contracts with other political subdivisions	459,093	3,160,396	426,556	4,046,045
<u>12.</u> Refunds, reimbursements, and other recoveries	613,402	339,898	3,536,916	4,490,216
<u>14.</u> Prior years carryforward	12,419,856	-	-	12,419,856
<u>16.</u> Total exclusions claimed	<u>91,620,591</u>	<u>4,650,150</u>	<u>37,960,811</u>	<u>134,231,552</u>
<u>C.</u> Amounts subject to the expenditure limitation	<u>\$ 225,434,673</u>	<u>\$ 120,962,844</u>	<u>\$ -</u>	<u>\$ 346,397,517</u>

See accompanying notes to report.

Town of Gilbert
 Annual Expenditure Limitation Report—Reconciliation
 Year ended June 30, 2022

Description	Governmental funds	Enterprise funds	Internal service funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 310,157,492	\$ 119,811,558	\$ 41,704,102	\$ 471,673,152
B. Subtractions:				
1. Items not requiring use of current financial resources:				
a. Depreciation	-	36,846,332	38,052	36,884,384
d. Pension and other postemployment benefits (OPEB) expense	-	2,772,976	112,643	2,885,619
e. Claims incurred but not reported (IBNR)	-	-	7,369,518	7,369,518
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	27,915,541	-	27,915,541
3. Required fees paid to the Industrial Commission of Arizona	-	-	658,166	658,166
6. Total subtractions	-	67,534,849	8,178,379	75,713,228
C. Additions:				
2. Capital asset acquisitions	-	57,881,336	181,816	58,063,152
3. Amounts paid in the current year but reported as expenses in previous years:				
a. Claims previously recognized as IBNR	-	-	4,068,000	4,068,000
4. Pension and OPEB contributions paid in the current year	-	2,021,859	185,272	2,207,131
5. Transfers to separate legal entities	6,897,772	13,433,090	-	20,330,862
6. Total additions	6,897,772	73,336,285	4,435,088	84,669,145
D. Amounts reported on Part II, line A	\$ 317,055,264	\$ 125,612,994	\$ 37,960,811	\$ 480,629,069

See accompanying notes to report.

TOWN OF GILBERT
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, 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; and the statement of cash flows for the proprietary funds.

Note 2 The exclusion claimed for debt service requirements on bonded indebtedness in the governmental funds consists of principal retirement of \$29,495,000, interest expense of \$8,312,044, and fiscal and other charges of \$15,044.

Note 3 Total investment earnings in the Governmental Funds were \$3,527,240 of which \$116,600 is nonexcludable, and total investment earnings in the Enterprise Funds were \$2,338,572 of which \$241,349 is nonexcludable. The remaining \$5,507,863 excludable revenue will be carried forward to future years.

Note 4 The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the governmental funds:

<u>Description</u>	<u>Revenues</u>	<u>Excluded</u>	<u>Amount Carried Forward</u>
Grants and aid from federal government	\$ 8,692,297	\$8,692,297	\$ -
Amounts received from the State of Arizona	25,300,211	2,454,071	22,846,140
Highway user revenues in excess of those received in fiscal year 1979-80	18,230,330	15,485,240	2,745,090
Contracts with other political Subdivisions	459,093	459,093	-
Other revenues (nonexcludable)	88,783,785	-	-
Total intergovernmental revenues as reported in fund financial statements	<u>\$141,465,716</u>		

The exclusion claimed in the Enterprise Funds for contracts with other political subdivisions are recorded as intergovernmental nonoperating revenues in the financial statements. The exclusion claimed in the Internal Service Funds for contracts with other political subdivisions are recorded as charges for services revenues in the financial statements.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022

- Note 5 The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual consists of other entities' participation and gifts and donations revenue as reported in the Governmental Funds financial statements.
- Note 6 The exclusion claimed for quasi-external interfund transactions consists of payments made for administrative support services reported in the financial statements as charges for services revenue for the Governmental Funds. The exclusion claimed for the Enterprise Funds consist of payments made for water, wastewater and environmental services reported in the financial statements as charges for services revenue. The exclusion claimed for the Internal Service Funds consist of payments for operations that provide services to other departments of the Town and reported in the financial statements as charges for services revenue.
- Note 7 The exclusions claimed for refunds, reimbursements, and other recoveries consist of recovery of damage claims, insurance recoveries, and recovery of prior year expenses and are reported as miscellaneous revenue in the Governmental Funds and as other revenue in the Enterprise and Internal Service Funds financial statements.
- Note 8 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. The exclusion in the Governmental Funds of \$12,419,856 consists of \$7,765,839 received from the state that were expended in this fiscal year, \$3,835,181 of bond proceeds received in prior fiscal years, and \$818,836 of investment earnings.
- Note 9 The subtraction of \$7,369,518 for claims incurred but not reported (IBNR) consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds.
- Note 10 The addition of \$4,068,000 for claims previously recognized as IBNR, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.
- Note 11 The subtractions of pension and OPEB expense of \$2,772,976 and \$112,643 in the Enterprise and Internal Service Funds, respectively, consists of the following:

Description	Enterprise Funds	Internal Service Funds
Pension expense	\$ 2,747,410	\$ 110,780
OPEB Expense	25,566	1,863
Total	\$ 2,772,976	\$ 112,643

- Note 12 The additions of \$2,021,859 and \$185,272 for pension contributions paid in the current year in the Enterprise and Internal Service Funds, respectively, consists of the required pension contributions made to the Arizona State Retirement System (ASRS).

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022

- Note 13 The subtraction for required fees State law required the Town to pay that are excluded from the town expenditure limitation consists of payments to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund, which were recorded as an Internal Service Fund expense.
- Note 14 The subtraction of \$27,915,541 consists of expenses of the Town of Gilbert Water Resources Municipal Property Corporation (Water MPC), which is a legally separate, non-profit corporation and exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The Water MPC is included within the Town's reporting entity as a blended component unit, but not included in the Economic Estimates Commission base limit calculations. The subtraction claimed for the Water MPC fund consists of bond issuance costs of \$1,222,643, interest expense of \$3,780,568, and \$22,912,330 of capital asset acquisitions.
- Note 15 The additions of \$6,897,772 and \$13,433,090 consist of transfers to the Town of Gilbert Public Facilities Municipal Property Corporation (MPC) and the Water MPC which are both legally separately entities. These transfers represent interest expense in addition to the scheduled principal debt service payments made during the year.