

TOWN OF GILBERT, ARIZONA

Annual Expenditure Limitation Report

June 30, 2023

(With Independent Accountant's Report Thereon)

Town of Gilbert
Annual Expenditure Limitation Report
Year ended June 30, 2023

| Table of contents | Page |
|---|------|
| Independent accountants' report | 1 |
| Annual Expenditure Limitation Report—Part I | 2 |
| Annual Expenditure Limitation Report—Part II | 3 |
| Annual Expenditure Limitation Report—Reconciliation | 4 |
| Notes to Annual Expenditure Limitation Report | 5 |

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, 2023, 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 28, 2024

Town of Gilbert
 Annual Expenditure Limitation Report
 Year ended June 30, 2023

| | | | |
|---|----|-------------|--------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ | 500,348,278 | |
| 2. Voter-approved alternative expenditure limitation (approved _____) | | - | |
| 3. Enter applicable amount from line 1 or line 2 | | | \$ 500,348,278 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, line C) | \$ | 332,578,846 | |
| 5. Board-authorized expenditures necessitated by a disaster the Governor declared | - | - | |
| 6. Board-authorized expenditures necessitated by a disaster the Governor did not declare | - | - | |
| 7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year | - | - | |
| 8. Subtotal | | | \$ 332,578,846 |
| 9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve | | - | |
| 10. Total adjusted amount subject to the expenditure limitation | \$ | | 332,578,846 |
| 11. Amount under (in excess of) the expenditure limitation | \$ | | <u>167,769,432</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: 3-28-2024

See accompanying notes to report.

Town of Gilbert
Annual Expenditure Limitation Report
Year ended June 30, 2023

| Description | Governmental funds | Enterprise funds | Internal service funds | Total |
|---|-----------------------|-----------------------|------------------------------|-----------------------|
| <u>A.</u> Amounts reported on the Reconciliation, line D | \$ 338,262,929 | \$ 135,933,931 | \$ 44,796,122 | \$ 518,992,982 |
| <u>B.</u> Less exclusions claimed: | | | | |
| <u>2.</u> Debt service requirements | 41,209,916 | 25,793,053 | - | 67,002,969 |
| <u>5.</u> Grants and aid from the federal government | 3,569,742 | - | - | 3,569,742 |
| <u>6.</u> Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | 6,691,889 | - | - | 6,691,889 |
| <u>7.</u> Amounts received from the State of Arizona | 2,894,487 | - | - | 2,894,487 |
| <u>8.</u> Quasi-external interfund transactions | 6,869,050 | 1,479,195 | 41,497,736 | 49,845,981 |
| <u>10.</u> Highway user revenues in excess of those received in fiscal year 1979-80 | 18,576,184 | - | - | 18,576,184 |
| <u>11.</u> Contracts with other political subdivisions | 849,470 | 2,998,923 | 392,788 | 4,241,181 |
| <u>12.</u> Refunds, reimbursements, and other recoveries | 339,735 | 389,728 | 2,905,598 | 3,635,061 |
| <u>14.</u> Prior years carryforward | 29,956,642 | - | - | 29,956,642 |
| <u>16.</u> Total exclusions claimed | <u>110,957,115</u> | <u>30,660,899</u> | <u>44,796,122</u> | <u>186,414,136</u> |
| <u>C.</u> Amounts subject to the expenditure limitation | <u>\$ 227,305,814</u> | <u>\$ 105,273,032</u> | <u>\$ -</u> | <u>\$ 332,578,846</u> |

See accompanying notes to report.

Town of Gilbert
Annual Expenditure Limitation Report
Year ended June 30, 2023

| Description | Governmental funds | Enterprise funds | Internal service funds | Total |
|--|-----------------------|-----------------------|------------------------|-----------------------|
| <u>A.</u> Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | \$ 351,205,262 | \$ 137,395,734 | \$ 48,001,541 | \$ 536,602,537 |
| <u>B.</u> Subtractions: | | | | |
| <u>1.</u> Items not requiring use of current financial resources: | | | | |
| <u>a.</u> Depreciation | - | 37,850,332 | 60,725 | 37,911,057 |
| <u>d.</u> Pension and other postemployment benefits (OPEB) expense | - | 3,152,549 | 315,353 | 3,467,902 |
| <u>e.</u> Claims incurred but not reported (IBNR) | - | - | 10,233,000 | 10,233,000 |
| <u>2.</u> Expenditures of separate legal entities established under Arizona Revised Statutes | 7,013,500 | 65,900,728 | - | 72,914,228 |
| <u>3.</u> Required fees paid to the Industrial Commission of Arizona | - | - | 702,890 | 702,890 |
| <u>4.</u> Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception | | | | |
| | <u>12,939,972</u> | <u>-</u> | <u>-</u> | <u>12,939,972</u> |
| <u>6.</u> Total subtractions | <u>19,953,472</u> | <u>106,903,609</u> | <u>11,311,968</u> | <u>138,169,049</u> |
| <u>C.</u> Additions: | | | | |
| <u>1.</u> Principal payments of long-term debt | - | 8,340,000 | - | 8,340,000 |
| <u>2.</u> Capital asset acquisitions | - | 77,266,220 | 515,106 | 77,781,326 |
| <u>3.</u> Amounts paid in the current year but reported as expenses in previous years: | | | | |
| <u>a.</u> Claims previously recognized as IBNR | - | - | 7,369,518 | 7,369,518 |
| <u>4.</u> Pension and OPEB contributions paid in the current year | - | 2,394,784 | 221,925 | 2,616,709 |
| <u>5.</u> Transfers to separate legal entities | 7,011,139 | 17,440,802 | - | 24,451,941 |
| <u>6.</u> Total additions | <u>7,011,139</u> | <u>105,441,806</u> | <u>8,106,549</u> | <u>120,559,494</u> |
| <u>D.</u> Amounts reported on Part II, line A | <u>\$ 338,262,929</u> | <u>\$ 135,933,931</u> | <u>\$ 44,796,122</u> | <u>\$ 518,992,982</u> |

See accompanying notes to report.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2023

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 \$27,083,988, interest expense of \$14,116,096, and fiscal and other charges of \$9,832. The exclusion claimed for debt service requirements on bonded indebtedness in the enterprise funds consists of principal retirement of \$8,340,000, interest expense of \$17,453,053, amortization expense of \$2,397,535, and debt service fees of \$3,200.

Note 3 Total investment earnings in the Governmental Funds were \$16,569,382 of which \$507,300 is nonexcludable; total investment earnings in the Enterprise Funds were \$19,785,643 of which \$12,791,944 is nonexcludable. The remaining \$23,055,781 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 | \$ 3,569,742 | \$3,569,742 | \$ - |
| Amounts received from the State of Arizona | 3,238,971 | 2,894,487 | 344,484 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 19,713,389 | 18,576,184 | 1,137,205 |
| Contracts with other political Subdivisions | 849,470 | 849,470 | - |
| Other revenues (nonexcludable) | 109,045,322 | - | - |
| Total intergovernmental revenues as reported in fund financial statements | <u>\$136,416,894</u> | | |

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2023

The exclusion claimed in the Enterprise Funds for contracts with other political subdivisions are recorded as intergovernmental operating and 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.

- 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 consists of payments made for water, wastewater and solid waste reported in the financial statements as charges for services revenue. The exclusion claimed for the Internal Service Funds consists of payments for operations that provide services to other departments of the Town and are 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 \$29,956,642 consists of the following that were expended in this fiscal year: \$11,622,203 received from the state; \$4,376,747 received from contributions, and grants or gifts; \$13,515,773 of bond proceeds; and \$441,919 of investment earnings.
- Note 9 The subtraction of \$10,233,000 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 \$7,369,518 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.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2023

Note 11 The subtractions of pension and OPEB expense of \$3,152,549 and \$315,353 in the Enterprise and Internal Service Funds, respectively, consists of the following:

| Description | Enterprise Funds | Internal Service Funds |
|-----------------|---------------------|------------------------------|
| Pension expense | \$ 3,152,549 | \$ 313,429 |
| OPEB Expense | - | 1,924 |
| Total | \$ 3,152,549 | \$ 315,353 |

Note 12 The additions of \$2,394,784 and \$221,925 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).

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 \$72,914,228 consists of \$7,013,500 of expenditures of the Town of Gilbert Public Facilities Municipal Property Corporation (Public Facilities MPC), and \$65,900,728 of expenses of the Town of Gilbert Water Resources Municipal Property Corporation (Water MPC), which are legally separate, non-profit corporations and exist solely for the purpose of financing the construction or acquisition of public facility, water, and wastewater capital improvement projects. The MPCs are included within the Town’s reporting entity as blended component units, but not included in the Economic Estimates Commission base limit calculations. The subtraction claimed for the Public Facilities MPC fund consists of principal payment of \$5,500,000, interest expense of \$1,508,250, and \$5,250 of debt service fees. The subtraction claimed for the Water MPC fund consists of interest expense of \$17,453,053, \$3,200 of debt service fees, and \$48,444,475 of capital asset acquisitions.

Note 15 The additions of \$7,011,139 and \$17,440,802 consist of transfers to the Town of Gilbert Public Facilities Municipal Property Corporation (MPC) and the Water MPC which are both legally separate entities. These transfers represent interest expense in addition to the scheduled principal debt service payments made during the year.