

City of Phoenix, Arizona

Annual Expenditure Limitation Report

For the Fiscal Year Ended June 30, 2023

**CITY OF PHOENIX, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
For the Fiscal Year Ended June 30, 2023**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Accountant's Report | 1 |
| Annual Expenditure Limitation Report - Part I | 2 |
| Annual Expenditure Limitation Report - Part II | 3 |
| Annual Expenditure Limitation Report - Reconciliation | 4 |
| Notes to the Annual Expenditure Limitation Report | 5 |



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Independent Accountant's Report

The Honorable Mayor and Members of City Council
City of Phoenix, Arizona

We have examined management of the City of Phoenix, Arizona's (City) assertion that the accompanying Annual Expenditure Limitation Report of the City for the year ended June 30, 2023, presents, in all material respects, the information prescribed by the uniform expenditure reporting system as required by Arizona Revised Statutes 41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted November 3, 2020, as authorized by the Arizona Constitution, Article IX, Section 20(9). The City's management is responsible for presenting its Annual Expenditure Limitation Report in accordance with applicable statutes and the voter approved alternative expenditure limitation. Our responsibility is to express an opinion on management's compliance with the Annual Expenditure Limitation Report requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's Annual Expenditure Limitation Report is in accordance with applicable statutes and the voter approved alternative expenditure limitation, in all material respects. An examination involves performing procedures to obtain evidence about management's compliance with the Annual Expenditure Limitation Report requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, 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 to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the Annual Expenditure Limitation Report of the City for the year ended June 30, 2023, in accordance with Arizona Revised Statutes 41-1279.07 and with the voter-approved alternative expenditure limitation adopted November 3, 2020, as authorized by the Arizona Constitution, Article IX, Section 20(9), is fairly presented, in all material respects.

FORVIS, LLP

**Dallas, Texas
December 15, 2023**

**CITY OF PHOENIX, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
For the Fiscal Year Ended June 30, 2023**

| | | | |
|---|----|----------------|-------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ | 1,724,887,333 | |
| 2. Voter-approved alternative expenditure limitation (Approved November 3, 2020) | | 10,045,076,529 | |
| 3. Enter applicable amount from line 1 or line 2 | | | \$ 10,045,076,529 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | | 5,381,470,426 | |
| 5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, 20[2][a], Arizona Constitution) | | - | |
| 6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, 20[2][b], Arizona Constitution) | | - | |
| 7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, 20[2][c], Arizona Constitution) | | - | |
| 8. Qualifying capital improvement expenditures repaid in accordance with A.R.S. 41-1279.07(l) | | - | |
| 9. Subtotal | | 5,381,470,426 | |
| 10. 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, 20[2][b], Arizona Constitution) | | - | |
| 11. Total adjusted amount subject to the expenditure limitation | | | 5,381,470,426 |
| 12. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.) | | | \$ 4,663,606,103 |

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: _____ *****Signature on File*****

Name and title: _____ **Kathleen Gitkin, Chief Financial Officer**

Telephone No: _____ **(602) 495-0732** Date: _____ **December 15, 2023**

See accompanying Notes to the Annual Expenditure Limitation Report.

CITY OF PHOENIX, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
For the Fiscal Year Ended June 30, 2023

| DESCRIPTION | Governmental Funds | Fiduciary Funds | Enterprise Funds | Total |
|---|-------------------------|-----------------------|-------------------------|-------------------------|
| A. Amounts reported on the Reconciliation, Line D | \$ 3,555,414,000 | \$ 575,361,000 | \$ 1,826,056,426 | \$ 5,956,831,426 |
| B. Less exclusions claimed: | | | | |
| 1. a) Bond proceeds | - | - | - | - |
| b) Debt service requirements on bonded indebtedness | - | - | - | - |
| c) Proceeds from other long-term obligations | - | - | - | - |
| d) Debt service requirements on other long-term obligations | - | - | - | - |
| 2. Dividends, interest and gains on the sale or redemption of investment securities | - | - | - | - |
| 3. Trustee or custodian (note 2) | - | 575,361,000 | - | 575,361,000 |
| 4. Grants and aid from the Federal government | - | - | - | - |
| 5. Grants, aid, contributions or gifts from a private agency, organization or individual except amounts received in lieu of taxes | - | - | - | - |
| 6. Amounts received from the State | - | - | - | - |
| 7. Quasi-external interfund transactions | - | - | - | - |
| 8. Amounts accumulated for 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 | - | - | - | - |
| 10. Contracts with other political subdivisions | - | - | - | - |
| 11. Refunds, reimbursements and other recoveries | - | - | - | - |
| 12. Voter approved exclusions not identified above (attach resolution) | - | - | - | - |
| 13. Prior years carryforward | - | - | - | - |
| 14. Total exclusions claimed | - | 575,361,000 | - | 575,361,000 |
| C. Amount subject to the expenditure limitation | \$ 3,555,414,000 | \$ - | \$ 1,826,056,426 | \$ 5,381,470,426 |

See accompanying Notes to the Annual Expenditure Limitation Report.

CITY OF PHOENIX, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
For the Fiscal Year Ended June 30, 2022

| Description | Governmental Funds | Fiduciary Funds | Enterprise Funds | Total |
|---|-------------------------|-----------------------|-------------------------|-------------------------|
| A. Total expenditures or expenses and applicable other financing uses reported within the fund-based financial statements (note 3) | \$ 3,555,414,000 | \$ 575,361,000 | \$ 1,484,111,000 | \$ 5,614,886,000 |
| B. Subtractions: | | | | |
| Items not requiring use of working capital: | | | | |
| Depreciation | - | - | 389,070,000 | 389,070,000 |
| Loss on disposal of capital assets | - | - | 3,408,000 | 3,408,000 |
| Bad debt expense | - | - | 4,296,574 | 4,296,574 |
| Pension and other postemployment benefits (OPEB) expense (note 4) | | | 23,601,000 | 23,601,000 |
| Landfill closure and postclosure costs | | | 663,000 | 663,000 |
| Pollution Remediation costs | | | 200,000 | 200,000 |
| Total Subtractions | - | - | 421,238,574 | 421,238,574 |
| C. Additions: | | | | |
| Principal payments on long-term debt (note 5) | - | - | 200,864,000 | 200,864,000 |
| Acquisition of capital assets (note 6) | - | - | 554,041,000 | 554,041,000 |
| Amounts paid in the current year but reported as expenses in previous years: | | | | |
| Pension and OPEB contributions paid in the current year (note 4) | | | 8,204,000 | 8,204,000 |
| Pollution Remediation costs | | | 75,000 | 75,000 |
| Landfill closure and postclosure care costs (note 7) | | | - | 0 |
| Total Additions | - | - | 763,184,000 | 763,184,000 |
| D. Amounts reported on Part II, Line A | \$ 3,555,414,000 | \$ 575,361,000 | \$ 1,826,056,426 | \$ 6,799,308,574 |

See accompanying Notes to the Annual Expenditure Limitation Report.

CITY OF PHOENIX, ARIZONA
NOTES TO THE ANNUAL EXPENDITURE LIMITATION REPORT
For the Fiscal Year Ended June 30, 2023

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, and in accordance with the voter-approved alternative expenditure limitation adopted November 3, 2020, as authorized by the Arizona Constitution, Article IX, §20(9). Supporting documentation is available upon request.

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-based 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 (Exhibit B-3 of the City's Annual Comprehensive Financial Report, or ACFR), Statement of Revenues, Expenses, and Changes in Net Position for Enterprise Funds (Exhibit B-10 of the City's ACFR), Statement of Cash Flows for the Enterprise Funds (Exhibit B-11 of the City's ACFR), and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds (Exhibit B-13 of the City's ACFR).

NOTE 2 - TRUSTEE OR CUSTODIAN

The exclusion claimed for trustee or custodian in the Fiduciary Funds consists of total deductions plus investment expense of the Pension and Other Employee Benefit Trusts.

NOTE 3 - TOTAL EXPENSES REPORTED WITHIN THE FINANCIAL STATEMENTS

The total expenditures reported within the financial statements for the Fiduciary Funds include total deductions and investment expenses for the Pension and Other Employee Benefit Trusts as reported on Exhibit B-13 of the City's ACFR.

The total expenses reported within the financial statements for the Enterprise Funds include total operating expenses, interest on capital debt, equity interest in joint use agreement operating loss, and loss on disposal of capital assets.

NOTE 4 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) EXPENSE AND CONTRIBUTIONS

The \$23,601,000 subtraction for pension and other post-employment benefit (OPEB) expense consists of changes in deferred inflows and changes in deferred outflows related to pensions and OPEB recognized in the current year in the enterprise funds. The \$8,204,000 addition for pension and OPEB contributions paid in the current year consists of changes in the net pension liability, the net OPEB liability and assets recognized in the current year in the enterprise funds.

CITY OF PHOENIX, ARIZONA
NOTES TO THE ANNUAL EXPENDITURE LIMITATION REPORT
For the Fiscal Year Ended June 30, 2023

NOTE 5 - PRINCIPAL PAYMENT ON CAPITAL DEBT

The addition of \$200,864,000 for principal payments on capital debt in the Enterprise Funds consists of the following principal payments by fund:

| | |
|---------------------------|-----------------------|
| Aviation | \$ 73,604,000 |
| Phoenix Convention Center | 10,473,000 |
| Water System | 58,020,000 |
| Wastewater | 47,007,000 |
| Solid Waste | 11,760,000 |
| | <hr/> |
| Total | <u>\$ 200,864,000</u> |

NOTE 6 - ACQUISITION OF CAPITAL ASSETS

Acquisition of capital assets in the Enterprise Funds consists of all purchases of capital assets plus capitalized interest.

NOTE 7 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS RECORDED AS
EXPENDITURES IN PREVIOUS YEARS

The addition for landfill closure and postclosure care costs recorded as expenditures in previous years represents actual closure and postclosure care costs incurred during the year that were amortized and recognized as expense over the estimated lives of the City's landfills.