

**CITY OF CHANDLER, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE
LIMITATION REPORT
YEAR ENDED JUNE 30, 2017**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and City Council
of the City of Chandler, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Chandler, Arizona for the year ended June 30, 2017, and the related notes to the report. The City'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 American Institute of Certified Public Accountants. 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.

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., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 12, 2018

CITY OF CHANDLER, ARIZONA
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2017

1. Economic Estimates Commission expenditure limitation		\$ 229,609,382
2. Voter approved alternative expenditure limitation (Approved August 24, 2014)		<u>971,250,607</u>
3. Enter applicable amount from Line 1 or Line 2		\$ 971,250,607
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)		630,817,245
5. Board authorized expenditures necessitated by a disaster declared by the Governor [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. Qualifying capital improvement expenditures repaid in accordance with A.R.S., section 41-1279.07(I)		-
9. Subtotal		<u>630,817,245</u>
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, Section 20(2)(b), Arizona Constitution]		<u>-</u>
11. Total adjusted amount subject to the expenditure limitation		<u>630,817,245</u>
12. Amount under (in excess of) the expenditure limitation		<u><u>\$ 340,433,362</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 : *Dawn Lang*

Name and Title: Dawn Lang, Management Services Director

Telephone Number: (480) 782-2255 Date: 2-27-18

See accompanying notes to report

CITY OF CHANDLER, ARIZONA
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 318,440,686	\$ 285,403,293	\$ 26,954,110	\$ 19,156	\$ 630,817,245
B. Less exclusions claimed:					
1. Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-	-
Proceeds from other long-term obligations	-	-	-	-	-
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	-	-	-	-	-
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 of Arizona	-	-	-	-	-
7. Quasi-external interfund transactions	-	-	-	-	-
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	-	-	-	-	-
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	-	-	-	-	-
C. Amounts subject to the expenditure limitation (If an individual fund category/ type amount is negative, reduce exclusions claimed to net to zero)	\$ 318,440,686	\$ 285,403,293	\$ 26,954,110	\$ 19,156	\$ 630,817,245

See accompanying notes to report

CITY OF CHANDLER, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2017

Description	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. (Note 2)	\$ 318,440,686	\$ 145,352,561	\$ 26,798,028	\$ 19,156	\$ 490,610,431
B. Subtractions					
1. Items not require use of current financial resources:					
Depreciation	-	47,899,443	-	-	47,899,443
Loss on disposal of capital assets	-	76,000	-	-	76,000
Amortization of interest in Joint Venture	-	3,293,356	-	-	3,293,356
OPEB expenses	-	2,099,913	89,436	-	2,189,349
Pension Expense	-	1,480,678	376,910	-	1,857,588
Claims incurred but not reported	-	-	6,007,859	-	6,007,859
Landfill closure and postclosure care costs	-	-	-	-	-
Amortization of deferred bond items	-	5,709	-	-	5,709
2. Expenditures of separate legal entities established under Arizona Revised Statutes.	-	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-	-
4. Involuntary court judgments	-	-	-	-	-
5. Total subtractions	-	54,855,099	6,474,205	-	61,329,304
C. Additions					
1. Principal payments on long-term debt	-	60,891,940	-	-	60,891,940
2. Acquisition of capital assets	-	130,681,570	-	-	130,681,570
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB	-	1,853,589	75,262	-	1,928,851
Claims previously recognized as IBNR	-	-	6,432,298	-	6,432,298
Landfill closure and postclosure care costs	-	-	-	-	-
4. Pension contributions	-	1,478,732	122,727	-	1,601,459
5. Total additions	-	194,905,831	6,630,287	-	201,536,118
D. Amounts reported on Part II, Line A	\$ 318,440,686	\$ 285,403,293	\$ 26,954,110	\$ 19,156	\$ 630,817,245

See accompanying notes to report

CITY OF CHANDLER, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter approved alternative expenditure limitation adopted August 26, 2014, as authorized by the Arizona Constitution, Article IX, §20(9). This alternative expenditure limitation option provided the mayor and council to adopt an annual expenditure limitation each year, which for fiscal year ending June 30, 2017 equaled the budget of \$971,250,607 formally approved by City Council on June 9, 2016 by Resolution No. 4955.

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 - Governmental Funds, the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds, the Statement of Cash Flows - Proprietary Funds, and the Statement of Changes in Fiduciary Net Position - Fiduciary Fund.

NOTE 2 TOTAL EXPENDITURES/EXPENSES/DEDUCTIONS

Enterprise Funds:	
Total operating expenses	\$ 127,755,066
Interest expense	13,794,034
Bond issuance costs	428,396
Amortization of deferred bond items	5,709
Gain (loss) from disposal of capital assets	76,000
Equity Interest in Joint Venture	3,293,356
	<u>\$ 145,352,561</u>
Governmental Funds:	
Total operating expenses	\$ 286,851,294
Payment to Escrow Agent	31,589,392
	<u>\$ 318,440,686</u>



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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members of the City Council
City of Chandler, Arizona:

We have examined the City of Chandler, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City of Chandler pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of Chandler, were used solely for authorized transportation purposes during the year ended June 30, 2017. Management is responsible for the City of Chandler's compliance with those requirements. Our responsibility is to express an opinion on the City of Chandler, Arizona's compliance 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 the City of Chandler's compliance with the requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about the City of Chandler's compliance with the requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance of the report, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Chandler's compliance with specified requirements.

In our opinion, the City of Chandler, Arizona complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 9, 2018