

## INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

Honorable Mayor and Members of the Town Council  
Town of Prescott Valley, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Prescott Valley, Arizona for the year ended June 30, 2015. This report is the responsibility of the Town of Prescott Valley, Arizona's management. 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Prescott Valley, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

*Heinfeld, Meech & Co., P.C.*

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

December 10, 2015

**TOWN OF PRESCOTT VALLEY, ARIZONA**

**REPORT ON EXAMINATION OF  
ANNUAL EXPENDITURE LIMITATION REPORT**

**FISCAL YEAR ENDED JUNE 30, 2015**

**TOWN OF PRESCOTT VALLEY, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - PART I**  
**YEAR ENDED JUNE 30, 2015**

|  |    |                          |
|--|----|--------------------------|
| 1. Economic Estimates Commission expenditure limitation  | \$ | <u>          -</u>       |
| 2. Voter-approved alternative expenditure limitation<br>(Approved March 12, 2013)  | \$ | <u>63,882,402</u>        |
| 3. Enter applicable amount from Line 1 or Line 2   |    | <u>\$ 63,882,402</u>     |
| 4. Amount subject to the expenditure limitation (total amount from<br>Part II, Line C)   | \$ | <u>51,589,074</u>        |
| 5. Board-authorized expenditures necessitated by a disaster<br>declared by the Governor [Arizona Constitution, Article IX,<br>§20(2)(a)]   | -  | <u>          -</u>       |
| 6. Board-authorized expenditures necessitated by a disaster not<br>declared by the Governor [Arizona Constitution, Article IX,<br>§20(2)(b)]   | -  | <u>          -</u>       |
| 7. Prior-year voter approved expenditures to exceed the<br>expenditure limitation for the reporting fiscal year [Arizona<br>Constitution, Article IX, §20(2)(c)]   | -  | <u>          -</u>       |
| 8. Qualifying capital improvement expenditures repaid in<br>accordance with A.R.S. §41-1279.07(I)  | -  | <u>          -</u>       |
| 9. Subtotal  | \$ | <u>51,589,074</u>        |
| 10. Board-authorized excess expenditures for the previous<br>year necessitated by a disaster not declared by the Governor and<br>not approved by the voters [Arizona Constitution, Article IX,<br>§20(2)(b)] | +  | <u>          -</u>       |
| 11. Total adjusted amount subject to the expenditure limitation  | \$ | <u>51,589,074</u>        |
| 12. Amount under (in excess of) the expenditure limitation (If<br>excess expenditures are reported, provide an explanation.)   | \$ | <u><u>12,293,328</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: *William Kauppi*  
Name and Title: William Kauppi, Management Services Director  
Telephone No: 928-759-3127 Date: 12/10/15

See accompanying notes to report.

**TOWN OF PRESCOTT VALLEY, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - PART II**  
**YEAR ENDED JUNE 30, 2015**

| Description  | Governmental<br>Funds | Enterprise<br>Funds  | Internal<br>Service<br>Funds | Fiduciary<br>Funds | Total                |
|--|-----------------------|----------------------|------------------------------|--------------------|----------------------|
| A. Amounts reported on the Reconciliation, Line D  | \$ 36,323,832         | \$ 15,265,242        | \$ -                         | \$ -               | \$ 51,589,074        |
| 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 sale or redemption of investment securities   | -                     | -                    | -                            | -                  | -                    |
| 3 Trustee or custodian   | -                     | -                    | -                            | -                  | -                    |
| 4 Grants and aid from 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 purchase or construction of buildings or improvements                            | -                     | -                    | -                            | -                  | -                    |
| 9 Highway user revenues in excess of 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 carry forward   | -                     | -                    | -                            | -                  | -                    |
| 14 Total exclusions claimed  | <u>\$ -</u>           | <u>\$ -</u>          | <u>\$ -</u>                  | <u>\$ -</u>        | <u>\$ -</u>          |
| C. Amount subject to the expenditure limitation  | <u>\$ 36,323,832</u>  | <u>\$ 15,265,242</u> | <u>\$ -</u>                  | <u>\$ -</u>        | <u>\$ 51,589,074</u> |

See accompanying notes to report.

**TOWN OF PRESCOTT VALLEY, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION**  
**YEAR ENDED JUNE 30, 2015**

| Description  | Governmental<br>Funds | Enterprise<br>Funds  | Internal<br>Service<br>Funds | Fiduciary<br>Funds | Total                |
|--|-----------------------|----------------------|------------------------------|--------------------|----------------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items and extraordinary items reported within the fund-based statements | \$ 38,906,141         | \$ 14,916,764        | \$ -                         | \$ -               | \$ 53,822,905        |
| B. Subtractions  |                       |                      |                              |                    |                      |
| 1 Items not requiring use of working capital -   |                       |                      |                              |                    |                      |
| Depreciation and amortization (Note 2)   | -                     | 4,531,255            | -                            | -                  | 4,531,255            |
| Loss on disposal of capital assets   | -                     | -                    | -                            | -                  | -                    |
| Bad debt expense   | -                     | -                    | -                            | -                  | -                    |
| Other postemployment benefits expense  |                       |                      |                              |                    |                      |
| Claims incurred but not reported   | -                     | -                    | -                            | -                  | -                    |
| Landfill closure and postclosure care costs  | -                     | -                    | -                            | -                  | -                    |
| 2 Expenditures of separate legal entities established under Arizona Revised Statutes (Note 3)  | 2,582,309             | -                    | -                            | -                  | 2,582,309            |
| 3 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the inception of the agreements            | -                     | -                    | -                            | -                  | -                    |
| 4 Involuntary court judgments  | -                     | -                    | -                            | -                  | -                    |
| 5 Total subtractions   | <u>\$ 2,582,309</u>   | <u>\$ 4,531,255</u>  | <u>\$ -</u>                  | <u>\$ -</u>        | <u>\$ 7,113,564</u>  |
| C. Additions:  |                       |                      |                              |                    |                      |
| 1 Principal payment on long-term debt (Note 5)   | -                     | 2,709,322            | -                            | -                  | 2,709,322            |
| 2 Acquisition of capital assets (Note 4)   | -                     | 2,170,411            | -                            | -                  | 2,170,411            |
| 3 Other postemployment benefits paid in the current year but reported as expenses in previous years  | -                     | -                    | -                            | -                  | -                    |
| 4 Claims paid in the current year but reported as expenses incurred but not reported in previous years.  | -                     | -                    | -                            | -                  | -                    |
| 5 Landfill closure and postclosure care costs recorded as expended in previous years.  | -                     | -                    | -                            | -                  | -                    |
| 6 Total additions  | <u>\$ -</u>           | <u>\$ 4,879,733</u>  | <u>\$ -</u>                  | <u>\$ -</u>        | <u>\$ 4,879,733</u>  |
| D. Amounts reported on Part II, Line A   | <u>\$ 36,323,832</u>  | <u>\$ 15,265,242</u> | <u>\$ -</u>                  | <u>\$ -</u>        | <u>\$ 51,589,074</u> |

See accompanying notes to report.

**TOWN OF PRESCOTT VALLEY, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2015**

**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, and in accordance with the voter approved alternative expenditure limitation adopted March 12, 2013, as authorized by the Arizona Constitution, Article IX §20(9).

In accordance with 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; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

**NOTE 2** The exclusion claimed for items not requiring the use of working capital - Depreciation and amortization in the Enterprise Funds consists of \$2,870,219 and \$1,661,036 for the Wastewater and Prescott Valley Water System Funds, respectively.

**NOTE 3** The subtraction of \$2,582,309 for separate legal entities established under Arizona Revised Statutes consists of expenditures of Community Facilities Districts included within the town's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

**Community Facilities Districts:**

|                            | Pronghorn         |                   |                   | Quailwood         |                   | Parkway          |                   | Southside |                     |  |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|-----------|---------------------|--|
|                            | Ranch             | StoneRidge        | Eastridge         | Meadows           | District #1       | Raven Ridge      | District #1       |           | Total               |  |
| General government         | \$ 104,043        | \$ 163,698        | \$ 2,041          | \$ 62,018         | \$ 18,747         | \$ 652           | \$ 1,853          |           | 353,052             |  |
| Principal                  | 235,000           | 330,000           | 120,000           | 165,000           | 105,000           | 20,248           | 59,000            |           | 1,034,248           |  |
| Interest and other charges | 252,131           | 335,000           | 50,827            | 240,246           | 158,892           | 7,217            | 150,696           |           | 1,195,009           |  |
|                            | <u>\$ 591,174</u> | <u>\$ 828,698</u> | <u>\$ 172,868</u> | <u>\$ 467,264</u> | <u>\$ 282,639</u> | <u>\$ 28,117</u> | <u>\$ 211,549</u> |           | <u>\$ 2,582,309</u> |  |

**NOTE 4** The addition for acquisition of capital assets in the Enterprise Funds consists of \$1,880,418 and \$289,993 for the Wastewater and Prescott Valley Water System Funds, respectively.

**NOTE 5** The addition of \$2,709,322 for principal payments on long-term debt in the Enterprise Funds consists of the following:

|  |                     |
|--|---------------------|
| Water System (Series 2008)             | \$ 1,535,000        |
| Wastewater (Series 2012)               | 480,000             |
| Water Infrastructure Finance Authority |                     |
| Loan (Issued 3/22/05)                  | 466,336             |
| Loan (Issued 3/16/07)                  | 227,986             |
|  | <u>\$ 2,709,322</u> |