

TOWN OF PRESCOTT VALLEY, ARIZONA

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

FISCAL YEAR ENDED JUNE 30, 2019

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2019

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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, 2019, 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 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 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. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
November 21, 2019

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2019

2. Voter-approved alternative expenditure limitation (Approved August 30, 2016)	<u>\$ 92,989,613</u>
3. Enter applicable amount from Line 1 or Line 2	<u>\$ 92,989,613</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>\$ 73,838,331</u>
8. Subtotal	<u>\$ 73,838,331</u>
11. Amount under (in excess of) the expenditure limitation <i>If excess expenditures are reported, provide an explanation.</i>	<u>\$ 19,151,282</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: Kathryn Pehl, Management Services Director
Telephone Number: 928-759-3003 Date: 11/21/19

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2019

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 53,774,966	\$ 20,063,365	\$ -	\$ -	\$ 73,838,331
B. Less exclusions claimed:					
16. Total exclusions claimed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
C. Amount subject to the expenditure limitation	<u>\$ 53,774,966</u>	<u>\$ 20,063,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,838,331</u>

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2019

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 financial statements	<u>\$ 60,764,547</u>	<u>\$ 15,266,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,030,628</u>
B. Subtractions					
1. Items not requiring use of current financial resources:					
a. Depreciation (Note 2)	-	4,731,584	-	-	4,731,584
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Note 3)	<u>6,989,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,989,581</u>
6. Total subtractions	<u>\$ 6,989,581</u>	<u>\$ 4,731,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,721,165</u>
C. Additions:					
1. Principal payment on long-term debt (Note 5)	-	3,130,947	-	-	3,130,947
2. Capital asset acquisitions (Note 4)	<u>-</u>	<u>6,397,921</u>	<u>-</u>	<u>-</u>	<u>6,397,921</u>
5. Total additions	<u>\$ -</u>	<u>\$ 9,528,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,528,868</u>
D. Amounts reported on Part II, Line A	<u>\$ 53,774,966</u>	<u>\$ 20,063,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,838,331</u>

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

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 August 30, 2016, 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 subtraction claimed for items not requiring the use of current financial resources - Depreciation and amortization in the Enterprise Funds consists of \$2,806,455 and \$1,925,129 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 3 The subtraction of \$6,989,581 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 Ranch	StoneRidge	Eastridge	Quailwood Meadows	Parkway District #1	Raven Ridge	Southside District #1	Entertainment Center	Total
General government	\$ 3,406	\$ 11,989	\$ 74,237	\$ 3,200	\$ 7,440	\$ -	\$ 901	\$ -	\$ 101,173
Culture and recreation	-	-	-	-	-	-	-	2,629,086	2,629,086
Principal	325,000	425,000	140,000	240,000	130,000	8,845	70,000	800,000	2,138,845
Interest and other charges	206,597	273,100	5,075	207,466	134,650	617	126,753	785,117	1,739,375
Capital outlay	-	-	-	-	-	-	-	381,102	381,102
	<u>\$ 535,003</u>	<u>\$ 710,089</u>	<u>\$ 219,312</u>	<u>\$ 450,666</u>	<u>\$ 272,090</u>	<u>\$ 9,462</u>	<u>\$ 197,654</u>	<u>\$ 4,595,305</u>	<u>\$ 6,989,581</u>

NOTE 4 The addition for capital asset acquisitions in the Enterprise Funds consists of \$549,354 and \$5,848,567 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 5 The addition of \$3,130,947 for principal payments on long-term debt in the Enterprise Funds consists of the following

Water System (Series 2008)	\$ 1,795,000
Wastewater (Series 2012)	545,000
Water Infrastructure Finance Authority:	
Loan (Issued 3/22/05)	533,230
Loan (Issued 3/16/07)	257,717
	<u>\$ 3,130,947</u>