



## Independent Accountant's Report

The Auditor General of the State of Arizona and  
The Honorable Mayor and City Council  
City of Prescott, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Prescott, Arizona (the City) for the year ended June 30, 2016. This report is the responsibility of the City 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 City of Prescott referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Phoenix, Arizona  
December 9, 2016

City of Prescott  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2016

1. Economic Estimates Commission expenditure limitation	<u>\$ 51,500,928</u>	
2. Voter-approved alternative expenditure limitation (Approved August 27, 2013)	<u>\$ 148,423,862</u>	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 148,423,862</u>
4. Amount subject to the limitation (total amount from Part II, Line C)	<u>\$ 101,717,842</u>	
5. Amount under (in excess of) the expenditure limitation		<u><u>\$ 46,706,020</u></u>

*(If excess expenditures are reported, provide an explanation)*

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: Mark Woodfill

Name and Title: Mark Woodfill, Finance Director

Telephone Number: 928 777-1222 Date: 12/13/16

***If any of the provisions of the Arizona Constitution, Article IX, §20(2)(a), (b), or (c), or A.R.S. §41-1279.07(l) apply to the City/Town, use the long form Part I on page VI-17 of the UERS Manual.***

See accompanying notes to report.

City of Prescott  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2016

Description	Governmental <u>Funds</u>	Enterprise <u>Funds</u>	Internal Service <u>Funds</u>	Fiduciary <u>Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 50,813,256	\$ 43,466,469	\$ 7,438,117	\$ -	\$ 101,717,842
B. Less exclusions claimed:					
Bond proceeds					-
Debt service requirements on bonded indebtedness					-
Proceeds from other long-term obligations					-
Debt service requirements on other long-term obligations					-
Dividends, interest, and gains on the sale or redemption of investment securities					-
Trustee or custodian					-
Grants and aid from the federal government					-
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes					-
Amounts received from the State of Arizona					-
Quasi-external interfund transactions					-
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements					-
Highway user revenues in excess of those received in fiscal year 1979-80					-
Contracts with other political subdivisions					-
Refunds, reimbursements, and other recoveries					-
Voter-approved exclusions not identified above ( <b>attach resolution</b> )					-
Prior years carryforward					-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total exclusions claimed	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
C. Amounts subject to the expenditure limitation <i>(If an individual fund category/ type amount is negative, reduce exclusions claimed to net to zero.)</i>	<u>\$ 50,813,256</u>	<u>\$ 43,466,469</u>	<u>\$ 7,438,117</u>	<u>\$ -</u>	<u>\$ 101,717,842</u>

Delete all exclusion line item descriptions not used.

See accompanying notes to report.

City of Prescott  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2016

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 51,609,930	\$ 34,435,523	\$ 7,644,466	\$ -	\$ 93,689,919
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		8,024,440	858,417		8,882,857
Loss on disposal of capital assets			12,009		12,009
Bad debt expense					-
Other postemployment benefits (OPEB) expense					-
Pension expense - Note 2		482,008	532,636		1,014,644
Claims incurred but not reported (IBNR) - Note 3			(534,593)		(534,593)
Landfill closure and postclosure care costs - Note 4		17,423			17,423
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) Note 5	679,856				679,856
Required fees paid to the Arizona Department of Revenue	116,818				116,818
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements					-
Involuntary court judgments					-
Total subtractions	<u>796,674</u>	<u>8,523,871</u>	<u>868,469</u>	<u>-</u>	<u>10,189,014</u>
C. Additions:					
Principal payments on long-term debt		4,195,183	230,940		4,426,123
Acquisition of capital assets		12,612,640	56,048		12,668,688
Amounts paid in the current year but reported as expenses in previous years:					
OPEB					-
Pension contributions - Note 2		730,794	211,792		942,586
Claims previously recognized as IBNR - Note 6			163,340		163,340
Landfill closure and postclosure care costs - Note 7		16,200			16,200
Total additions	<u>-</u>	<u>17,554,817</u>	<u>662,120</u>	<u>-</u>	<u>18,216,937</u>
D. Amounts reported on Part II, Line A	<u>\$ 50,813,256</u>	<u>\$ 43,466,469</u>	<u>\$ 7,438,117</u>	<u>\$ -</u>	<u>\$ 101,717,842</u>

*Delete all subtraction and addition line item descriptions not used.*

See accompanying notes to report.

CITY OF PRESCOTT  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2016

**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 27, 2013 as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance within 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 - Pension Expense**

The subtraction of \$ 1,0146,04 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise/Internal Service Fund(s) modify as appropriate. The addition of \$ 942,586 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise/Internal Service Fund(s) modify as appropriate.

**Note 3 - Claims Incurred but not Reported**

The subtraction (addition) of \$ (534,593) for adjustment to claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Fund.

**Note 4 - Landfill Closure and Postclosure accrued**

The subtraction of \$ 17,423 for landfill closure and postclosure care costs accrued as an expense in the current year that will be paid in the future as the work is done.

**Note 5 - Expenditures of Separate Legal Entities Reported on Reconciliation**

The expenditures shown on the reconciliation as "Expenditures of separate legal entities established under Arizona Revised Statutes" are from the Hassayampa Community Facilities District 1 and 2:

Page 81	CFD Debt Service	\$ 679,856
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**Note 6 - Claims Paid**

The addition of \$ 163,340 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Enterprise (and Internal Service) modify as appropriate Fund(s).

**Note 7 - Landfill Closure and Postclosure Care Costs**

The addition of \$ 16,200 for landfill closure and postclosure care costs paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for those costs reported as expenses in previous years in the Enterprise Funds.