

CITY OF PRESCOTT
REPORT ON AUDIT OF ANNUAL
EXPENDITURE LIMITATION REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report of City of Prescott, Arizona for the year ended June 30, 2018. 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 of City of Prescott, Arizona, referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Henry + Horne LLP

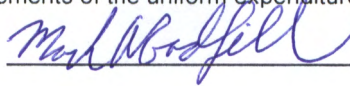
Casa Grande, Arizona
November 21, 2018

TOWN OF PRESCOTT, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2018

| | | | |
|------------|---|----------------------|-----------------------|
| <u>1.</u> | Economic Estimates Commission expenditure limitation | <u>\$ 54,270,297</u> | |
| <u>2.</u> | Voter-approved alternative expenditure limitation (approved August 27, 2017) | <u>188,853,251</u> | |
| <u>3.</u> | Enter applicable amount from line 1 or line 2 | | <u>\$ 188,853,251</u> |
| <u>4.</u> | Amount subject to the expenditure limitation (total amount from part II, line C) | <u>152,366,996</u> | |
| <u>8.</u> | Subtotal | | <u>152,366,996</u> |
| <u>10.</u> | Total adjusted amount subject to the expenditure limitation | | <u>152,366,996</u> |
| <u>11.</u> | Amount under (in excess of) the expenditure limitation | | <u>\$ 36,486,255</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: Mark Woodfill

Telephone Number: 928 777-1222 Date: November 21, 2018

TOWN OF PRESCOTT, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2018

| Description | Governmental funds | Enterprise funds | Internal service funds | Total |
|--|-----------------------|----------------------|------------------------------|-----------------------|
| <u>A.</u> Amounts reported on the reconciliation, line D | \$ 84,733,386 | \$ 57,825,063 | \$ 9,808,547 | \$ 152,366,996 |
| B. Less exclusions claimed: | | | | |
| <u>16.</u> Total exclusions claimed | - | - | - | - |
| <u>C.</u> Amounts subject to the expenditure limitation | <u>\$ 84,733,386</u> | <u>\$ 57,825,063</u> | <u>\$ 9,808,547</u> | <u>\$ 152,366,996</u> |

TOWN OF PRESCOTT, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2018

| Description | Governmental funds | Enterprise funds | Internal service funds | Total |
|--|-----------------------|----------------------|------------------------------|-----------------------|
| <u>A.</u> Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | \$ 84,819,527 | \$ 44,526,787 | \$ 8,289,491 | \$ 137,635,805 |
| <u>B.</u> Subtractions: | | | | |
| <u>1.</u> Items not requiring use of current financial resources: | | | | |
| <u>a.</u> Depreciation | - | 9,937,513 | 167,258 | 10,104,771 |
| <u>b.</u> Loss on disposal of capital assets | - | - | 2,260,512 | 2,260,512 |
| <u>c.</u> Bad debt expense | - | - | - | - |
| <u>d.</u> Other postemployment benefits (OPEB) expense | - | 31,260 | 8,966 | 40,226 |
| <u>e.</u> Claims incurred but not reported (IBNR) | - | - | - | - |
| <u>f.</u> Landfill closure and postclosure care costs (Note 3) | - | 43,046 | - | 43,046 |
| <u>g.</u> Pension expense (Note 4) | - | 218,141 | (110,245) | 107,896 |
| <u>2.</u> Expenditures of separate legal entities established under Arizona Revised Statutes | - | - | - | - |
| <u>3.</u> Required fees paid to the Arizona Department of Revenue | 86,141 | - | - | 86,141 |
| <u>4.</u> Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception | - | - | - | - |
| <u>5.</u> Involuntary court judgments | - | - | - | - |
| <u>6.</u> Total subtractions | <u>86,141</u> | <u>10,229,960</u> | <u>2,326,491</u> | <u>12,642,592</u> |
| <u>C.</u> Additions: | | | | |
| <u>1.</u> Principal payments on long-term debt (Note 5) | - | 4,940,509 | 3,086,898 | 8,027,407 |
| <u>2.</u> Capital asset acquisitions | - | 17,695,248 | 324,814 | 18,020,062 |
| <u>3.</u> Amounts paid in the current year but reported as expenses in previous years: | | | | |
| <u>a.</u> OPEB (Note 2) | - | 37,503 | 10,756 | 48,259 |
| <u>b.</u> Claims previously recognized as IBNR (Note 6) | - | - | 227,672 | 227,672 |
| <u>4.</u> Pension contributions paid in the current year (Note 4) | - | 854,976 | 195,407 | 1,050,383 |
| <u>5.</u> Total additions | <u>-</u> | <u>23,528,236</u> | <u>3,845,547</u> | <u>27,373,783</u> |
| <u>D.</u> Amounts reported on part II, line A | <u>\$ 84,733,386</u> | <u>\$ 57,825,063</u> | <u>\$ 9,808,547</u> | <u>\$ 152,366,996</u> |

See accompanying notes.

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CITY OF PRESCOTT, ARIZONA
NOTES TO ANNUAL EXPENDATURE LIMITATION REPORT
Year Ended June 30, 2018

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 with the UERS, 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 OTHER POST EMPLOYMENT BENEFITS

The subtraction of \$40,226 for other post-employment benefits expense consists of the amounts expensed in the current year but not yet paid in the enterprise/internal service funds. The addition of \$48,259 for other postemployment benefits paid in the current year but reported as expenses in previous years in the enterprise/internal service funds.

NOTE 3 LANDFILL CLOSURE

The reduction of \$43,046 for landfill closure and post closure care costs adjustment in the current year, but reported as expenses in previous years, consists of adjustment in the current year to estimates reported as expenses in previous years in the enterprise funds.

NOTE 4 PENSIONS

The subtraction of \$107,896 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise/internal service funds. The addition of \$1,050,383 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 funds.

CITY OF PRESCOTT, ARIZONA
 NOTES TO ANNUAL EXPENDATURE LIMITATION REPORT
 Year Ended June 30, 2018

NOTE 5 PRINCIPAL PAYMENTS ON LONG-TERM DEBT

The addition of \$8,027,407 for principal payments on long-term debt in the enterprise/internal service funds consists of:

| Type of Debt | Reference | Amount |
|---|------------|--------------|
| AZ WIFA | 910097-08F | \$ 225,294 |
| AZ WIFA | 910122-10F | 274,893 |
| AZ WIFA | 910147-11F | 69,440 |
| AZ WIFA | 910148-11F | 64,133 |
| AZ WIFA | 910151-11F | 1,918,224 |
| AZ WIFA | 920125-08F | 473,837 |
| AZ WIFA | 920206-11F | 44,904 |
| AZ WIFA | 920237-13F | 589,028 |
| AZ WIFA | 92A166-10F | 117,654 |
| Prescott Municipal Property Corporation | MPC 2007 | 4,010,000 |
| Prescott Municipal Property Corporation | MPC 2014 | 240,000 |
| Total | | \$ 8,027,407 |

NOTE 6 IBNR CLAIMS

The addition of \$227,672 for claims adjustment in the current year, but reported as expenses incurred but not reported in previous years, consists of adjustment in the current year to claims recognized as an expense in previous years in the internal service fund.