

City of Prescott  
Annual expenditure limitation report  
Year ended June 30, 2017

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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, 2017. 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 29, 2017

City of Prescott  
 Annual expenditure limitation report—part I  
 Year ended June 30, 2017

<u>1.</u> Economic Estimates Commission expenditure limitation	\$	<u>52,812,906</u>	
<u>2.</u> Voter-approved alternative expenditure limitation (approved August 27, 2013)		<u>167,288,761</u>	
<u>3.</u> Enter applicable amount from line 1 or line 2			\$ <u>167,288,761</u>
<u>4.</u> Amount subject to the expenditure limitation (total amount from part II, line C)	\$	<u>109,455,339</u>	
<u>8.</u> Subtotal			\$ <u>109,455,339</u>
<u>10.</u> Total adjusted amount subject to the expenditure limitation			\$ <u>109,455,339</u>
<u>11.</u> Amount under (in excess of) the expenditure limitation			\$ <u><u>57,833,422</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 financial officer *Mark Woodfill*

Name and title: Mark Woodfill

Telephone number: 928 777-1222

Date: November 29, 2017

See accompanying notes to report.

City of Prescott  
 Annual expenditure limitation report—part II  
 Year ended June 30, 2017

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 58,334,711	\$ 43,876,628	\$ 7,162,400	\$ 81,600	\$ 109,455,339
B. Less exclusions claimed:					
<u>16.</u> Total exclusions claimed	-	-	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$ 58,334,711</u>	<u>\$ 43,876,628</u>	<u>\$ 7,162,400</u>	<u>\$ 81,600</u>	<u>\$ 109,455,339</u>

See accompanying notes to report.

City of Prescott  
Annual expenditure limitation report—reconciliation  
Year ended June 30, 2017

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary 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	\$ 58,420,108	\$ 39,748,631	\$ 6,942,800	\$ 81,600	\$ 105,193,139
<u>B.</u> Subtractions:					
<u>1.</u> Items not requiring use of current financial resources:					
<u>a.</u> Depreciation		9,471,085	670,880		10,141,965
<u>g.</u> Pension expense (Note 2)		1,671,672	(137,575)		1,534,097
<u>3.</u> Required fees paid to the Arizona Department of Revenue	85,397				85,397
<u>6.</u> Total subtractions	<u>85,397</u>	<u>11,142,757</u>	<u>533,305</u>	<u>-</u>	<u>11,761,459</u>
<u>C.</u> Additions:					
<u>1.</u> Principal payments on long-term debt (Note 3)		4,227,580	238,638		4,466,218
<u>2.</u> Capital asset acquisitions		9,690,094	134,820		9,824,914
3. Amounts paid in the current year but reported as expenses in previous years:					
<u>b.</u> Claims previously recognized as IBNR (Note 4)			170,949		170,949
<u>c.</u> Landfill closure and postclosure care costs (Note 5)		467,583			467,583
<u>4.</u> Pension contributions paid in the current year (Note 2)		885,497	208,498		1,093,995
<u>5.</u> Total additions	<u>-</u>	<u>15,270,754</u>	<u>752,905</u>	<u>-</u>	<u>16,023,659</u>
<u>D.</u> Amounts reported on part II, line A	<u>\$ 58,334,711</u>	<u>\$ 43,876,628</u>	<u>\$ 7,162,400</u>	<u>\$ 81,600</u>	<u>\$ 109,455,339</u>

See accompanying notes to report.

City of Prescott  
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 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** The subtraction of \$1,534,079 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 \$1,093,995 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.

**Note 3** The addition of \$4,466,218 for principal payments on long-term debt in the enterprise/internal service funds consists of:

<u>Type of Debt</u>	<u>Reference</u>	<u>Amount</u>
AZ WIFA	910097-08	216,904
AZ WIFA	910122-10	266,518
AZ WIFA	910151-11	2,128,835
AZ WIFA	920125-08	457,195
AZ WIFA	920206-11	43,532
AZ WIFA	920237-13	572,985
AZ WIFA	92A166-10	114,069
Interfund Loan		356,180
Prescott Municipal Property Corporation	MPC 2007	310,000
Total		<u>4,466,218</u>

**Note 4** The addition of \$170,949 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.

**Note 5** The addition of \$467,583 for landfill closure and postclosure 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.