

City of Prescott, Arizona

Annual Expenditure Limitation Report

June 30, 2024

City of Prescott, Arizona

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Independent Accountants' Report

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Prescott, Arizona for the year ended June 30, 2024. 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. We have presented the results of our examination in the accompanying schedules.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). 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. 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.

We are required to be independent of the City of Prescott and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Annual Expenditure Limitation Report of the City of Prescott, Arizona is fairly presented in accordance with the Uniform Expenditure Reporting System as described in Note 1, in all material respects.

Baker Tilly US, LLP

Tempe, Arizona
November 26, 2024

City of Prescott, Arizona

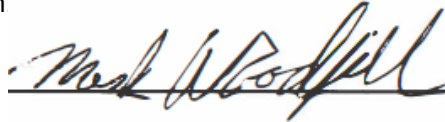
Annual Expenditure Limitation Report - Part I

Year Ended June 30, 2024

<u>1.</u> Economic Estimates Commission expenditure limitation	\$ 74,474,788	
<u>2.</u> Voter-approved alternative expenditure limitation (approved June 27, 2023)	<u>258,135,559</u>	
<u>3.</u> Subtotal		\$ 258,135,559
<u>4.</u> Amount subject to the expenditure limitation (total amount from Part II, line C)	<u>193,303,078</u>	
<u>5.</u> Board-authorized expenditures necessitated by a disaster the Governor declared	-	
<u>6.</u> Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	
<u>7.</u> Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year	-	
<u>8.</u> Subtotal		<u>193,303,078</u>
<u>9.</u> Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	+	
<u>10.</u> Total adjusted amount subject to the expenditure limitation		<u>193,303,078</u>
<u>11.</u> Amount under (in excess of) the expenditure limitation		<u>\$ 64,832,481</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, CPA - Finance Director

Telephone number: (928) 777-1222

Date: November 26, 2024

City of Prescott, Arizona

Annual Expenditure Limitation Report - Part II

Year Ended June 30, 2024

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, line D	\$ 91,469,037	\$ 92,546,872	\$ 9,287,169	\$ 193,303,078
B. Less exclusions claimed:				
<u>1.</u> Debt proceeds	-	-	-	-
<u>2.</u> Debt service requirements	-	-	-	-
<u>3.</u> Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-	-
<u>4.</u> Trustee or custodian	-	-	-	-
<u>5.</u> Grants and aid from the federal government	-	-	-	-
<u>6.</u> Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	-	-	-	-
<u>7.</u> Amounts received from the State of Arizona	-	-	-	-
<u>8.</u> Quasi-external interfund transactions	-	-	-	-
<u>9.</u> Voter-approved amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
<u>10.</u> Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-
<u>11.</u> Contracts with other political subdivisions	-	-	-	-
<u>12.</u> Refunds, reimbursements, and other recoveries	-	-	-	-
<u>13.</u> Voter-approved exclusions not identified above	-	-	-	-
<u>14.</u> Prior years carryforward	-	-	-	-
<u>15.</u> A.R.S. §41-1279.07	-	-	-	-
<u>16.</u> Total exclusions claimed	-	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$ 91,469,037</u>	<u>\$ 92,546,872</u>	<u>\$ 9,287,169</u>	<u>\$ 193,303,078</u>

See notes to annual expenditure limitation report

City of Prescott, Arizona

Annual Expenditure Limitation Report - Reconciliation

Year Ended June 30, 2024

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	\$ 92,486,887	\$ 59,968,640	\$ 8,943,428	\$ 161,398,955
<u>B.</u> Subtractions:				
<u>1.</u> Items not requiring use of current financial resources:				
a. Depreciation	-	13,376,321	233,895	13,610,216
d. Pension and other postemployment benefits (OPEB) expense (Note 2)	-	1,336,403	177,783	1,514,186
e. Claims incurred but not reported (IBNR) (Note 3)	-	-	-	-
f. Landfill closure and postclosure care costs and pollution remediation (Note 4)	-	88,123	-	88,123
<u>3.</u> Required fees paid to the Industrial Commission of Arizona (Note 5)	121,050	-	-	121,050
<u>4.</u> Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	896,800	-	-	896,800
<u>6.</u> Total subtractions	1,017,850	14,800,847	411,678	16,230,375
<u>C.</u> Additions:				
<u>1.</u> Principal payments on long-term debt (Note 6)	-	6,973,254	-	6,973,254
<u>2.</u> Capital asset acquisitions	-	39,034,532	548,470	39,583,002
<u>3.</u> Amounts paid in the current year but reported as expenses in previous years:				
<u>a.</u> Claims previously recognized as IBNR (Note 3)	-	-	111,624	111,624
<u>b.</u> Landfill closure and postclosure care costs and pollution remediation (Note 4)	-	414	-	414
<u>4.</u> Pension and OPEB contributions paid in the current year (Note 2)	-	1,370,879	95,325	1,466,204
<u>6.</u> Total additions	-	47,379,079	755,419	48,134,498
<u>D.</u> Amounts reported on Part II, Line A	\$ 91,469,037	\$ 92,546,872	\$ 9,287,169	\$ 193,303,078

See notes to annual expenditure limitation report

City of Prescott, Arizona

Notes to Annual Expenditure Limitation Report

June 30, 2024

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. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

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.

2. Pension and Other Postemployment Benefits (OPEB) Expense

The \$1,514,186 subtraction for pension and other post employment benefit (OPEB) expense consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise and internal service funds. The \$1,466,204 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds.

	<u>Enterprise Funds</u>	<u>Internal Services Funds</u>
Statements of Cash Flows:		
Change in net pension and OPEB asset	\$ 972	\$ (1,458)
Change in deferred inflows related to pensions and OPEB	(32,925)	(23,148)
Change in deferred outflows related to pension and OPEB	(10,121)	13,224
Change in net pension and OPEB liability	<u>7,598</u>	<u>93,840</u>
Total	<u>\$ (34,476)</u>	<u>\$ 82,458</u>
AELR - Reconciliation		
Pension/OPEB contributions, addition	\$ 1,370,879	\$ 95,325
Pension/OPEB expense (income), subtraction	<u>1,336,403</u>	<u>177,783</u>
Total	<u>\$ (34,476)</u>	<u>\$ 82,458</u>

3. IBNR Claims

The \$111,624 addition 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 internal service funds.

City of Prescott, Arizona

Notes to Annual Expenditure Limitation Report
June 30, 2024

4. Landfill Closure and Postclosure Care Costs

The \$88,123 subtraction for landfill closure and postclosure care costs consists of the portion of the total estimated liability/liabilities reported as expenses in the current year but not yet paid in the enterprise funds. The \$414 addition 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.

5. Required Fees Paid to the Industrial Commission of Arizona

The subtraction for required fees State law required the City to pay that are excluded from the city expenditure limitation consists of payments to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund, which were recorded as a governmental fund expenditure.

6. Principal Payments on Long-Term Debt

The addition of \$6,973,254 for principal payments on long-term debt in the enterprise and internal service funds consists of:

Type of Debt	Reference	Amount
AZ WIFA	910097-08F	\$ 314,614
AZ WIFA	910122-10F	330,971
AZ WIFA	910147-11F	83,652
AZ WIFA	910148-11F	77,258
AZ WIFA	910151-11F	2,283,546
AZ WIFA	910170-18	567,288
AZ WIFA	920125-08F	555,500
AZ WIFA	920206-11F	54,094
AZ WIFA	920237-13F	695,176
AZ WIFA	920297-20	688,640
AZ WIFA	92A166-10F	141,656
AZ WIFA	920351-23	683,328
Rubicon	SBITA	22,532
Prescott Municipal Property Corporation	MPC 2014	475,000
Total		<u>\$ 6,973,254</u>