

INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Members of the Town Council
Town of Prescott Valley, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of the Town of Prescott Valley, Arizona, for the year ended June 30, 2012. This report is the responsibility of the Town of Prescott Valley, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the Town of Prescott Valley, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 8, 2012

TOWN OF PRESCOTT VALLEY, ARIZONA

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2012

1. Economic Estimates Commission expenditure limitation	\$	-
2. Voter approved alternative expenditure limitation (Approved March 10, 2009)	\$	60,075,189
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 60,075,189</u>
4. Amount subject to the expenditure limitation (total amount from Part II, line C)	\$	<u>47,638,367</u>
5. Board-authorized expenditures necessitated by a disaster declared by the Governor { Article IX, 20(2)(a) , Arizona Constitution}	-	<u>-</u>
6. Board authorized expenditures necessitated by a disaster not declared by the Governor { Article IX, 20(2)(b) , Arizona Constitution}	-	<u>-</u>
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year { Article IX, 20(2)(c) , Arizona Constitution}	-	<u>--</u>
8. Subtotal	\$	<u>47,638,367</u>
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters { Article IX, 20(2)(b) , Arizona Constitution}	+	<u>-</u>
10. Total adjusted amount subject to the expenditure limitation	\$	<u>47,638,367</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)	\$	<u>12,436,822</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 Fiscal Officer: William Kauppi

Name and Title: William Kauppi, Management Services Director

Telephone No: 928-759-3127 Date: 26-Nov-12

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2012

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 34,739,295	\$ 12,899,072	\$ -	\$ -	\$ 47,638,367
B. Less exclusions claimed:					
1 Bond Proceeds	-	-	-	-	-
Debt Service requirements on bonded indebtedness	-	-	-	-	-
Proceeds from other long-term obligations	-	-	-	-	-
Debt Service requirements on other long-term obligations	-	-	-	-	-
2 Dividends, interest and gains on sale or redemption of investment securities	-	-	-	-	-
3 Trustee or custodian	-	-	-	-	-
4 Grants and aid from Federal government	-	-	-	-	-
5 Grants, aid, contributions or gifts from a private agency, organization or individual except amounts received in lieu of taxes	-	-	-	-	-
6 Amounts received from the State	-	-	-	-	-
7 Quasi-external interfund transactions	-	-	-	-	-
8 Amounts accumulated for purchase of land, and purchase or construction of buildings or improvements	-	-	-	-	-
9 Highway user revenues in excess of fiscal year 1979-80	-	-	-	-	-
10 Contracts with other political subdivisions	-	-	-	-	-
11 Refunds, reimbursements, and other recoveries	-	-	-	-	-
12 Voter approved exclusions not identified above (attach resolution)	-	-	-	-	-
13 Prior years carry forward	-	-	-	-	-
14 Total exclusions claimed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
C. Amount subject to the expenditure limitation	<u>\$ 34,739,295</u>	<u>\$ 12,899,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,638,367</u>

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2012

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-based statements	\$ 38,866,123	\$ 13,054,658	\$ -	\$ -	\$ 51,920,781
B. Subtractions					
1 Items not requiring use of working capital -					
Depreciation and amortization (Note 2)	-	4,316,785	-	-	4,316,785
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported	-	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-	-
2 Expenditures of separate legal entities established under Arizona Revised Statutes (Note 3)	4,126,828	-	-	-	4,126,828
3 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the inception of the agreements	-	-	-	-	-
4 Involuntary court judgments	-	-	-	-	-
5 Total subtractions	\$ 4,126,828	\$ 4,316,785	\$ -	\$ -	\$ 8,443,613
C. Additions:					
1 Principal payment on long-term debt (Note 5)	-	3,543,986	-	-	3,543,986
2 Acquisition of capital assets (Note 4)	-	617,213	-	-	617,213
3 Claims paid in the current year but reported as expenses incurred but not reported in previous years.	-	-	-	-	-
4 Landfill closure and postclosure care costs recorded as expended in previous years.	-	-	-	-	-
5 Total additions	\$ -	\$ 4,161,199	\$ -	\$ -	\$ 4,161,199
D. Amounts reported on Part II, Line A	\$ 34,739,295	\$ 12,899,072	\$ -	\$ -	\$ 47,638,367

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes 41-1279.07, and in accordance with voter approved alternative expenditure limitation adopted March 10, 2009 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 Assets for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

NOTE 2 The exclusion claimed for items not requiring the use of working capital - Depreciation and amortization in the Enterprise Funds consists of \$2,752,025 and \$1,564,760 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 3 The subtraction of \$4,126,828 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			Quailwood		Parkway		Southside		
	Ranch	StoneRidge	Eastridge	Meadows	District #1	Raven Ridge	District #1		Total	
General government	\$ 100,089	\$ 151,903	\$ -	\$ 60,459	\$ 16,784	\$ 938	\$ 126	\$	\$ 330,299	
Principal	185,000	505,000	140,000	195,000	95,000	20,247	478,000		1,618,247	
Interest and other charges	418,286	881,088	100,612	382,945	173,199	8,597	213,555		2,178,282	
	<u>\$ 703,375</u>	<u>\$ 1,537,991</u>	<u>\$ 240,612</u>	<u>\$ 638,404</u>	<u>\$ 284,983</u>	<u>\$ 29,782</u>	<u>\$ 691,681</u>		<u>\$ 4,126,828</u>	

NOTE 4 The addition for acquisition of capital assets in the Enterprise Funds consists of \$15,189 and \$602,024 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 5 The addition of \$3,543,986 for principal payments on long-term debt in the Enterprise Funds consists of the following:

Wastewater (Series 2003)	\$ 1,400,000
Water System (Series 2008)	1,380,000
Wastewater (Series 2012)	134,295
WIFA Loan (Issued 3/22/05)	421,731
WIFA Loan (Issued 3/16/07)	207,960
	<u>\$ 3,543,986</u>