

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Prescott Valley, Arizona for the year ended June 30, 2016. The Town's management is responsible for this report. 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 the Town of Prescott Valley, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
November 30, 2016

TOWN OF PRESCOTT VALLEY, ARIZONA

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

FISCAL YEAR ENDED JUNE 30, 2016

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2016

1. Economic Estimates Commission expenditure limitation	\$	-	
2. Voter-approved alternative expenditure limitation (Approved March 12, 2013)	\$	70,599,270	
3. Enter applicable amount from Line 1 or Line 2			\$ 70,599,270
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$	52,192,141	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor [Arizona Constitution, Article IX, §20(2)(a)]	-	-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Arizona Constitution, Article IX, §20(2)(b)]	-	-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Arizona Constitution, Article IX, §20(2)(c)]	-	-	
8. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07(I)	-	-	
9. Subtotal	\$	52,192,141	
10. Board-authorized excess expenditures for the previous year necessitated by a disaster not declared by the Governor and not approved by the voters [Arizona Constitution, Article IX, §20(2)(b)]	+	-	
11. Total adjusted amount subject to the expenditure limitation			\$ 52,192,141
12. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.)			\$ 18,407,129

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: 11/21/16

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2016

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 37,853,602	\$ 14,338,539	\$ -	\$ -	\$ 52,192,141
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>\$ 37,853,602</u>	<u>\$ 14,338,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,192,141</u>

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2016

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	\$ 40,783,131	\$ 14,515,953	\$ -	\$ -	\$ 55,299,084
B. Subtractions					
1 Items not requiring use of working capital -					
Depreciation and amortization (Note 2)	-	4,462,616	-	-	4,462,616
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Other postemployment benefits 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)	2,929,529	-	-	-	2,929,529
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	\$ 2,929,529	\$ 4,462,616	\$ -	\$ -	\$ 7,392,145
C. Additions:					
1 Principal payment on long-term debt (Note 5)	-	2,787,309	-	-	2,787,309
2 Acquisition of capital assets (Note 4)	-	1,497,893	-	-	1,497,893
3 Other postemployment benefits paid in the current year but reported as expenses in previous years	-	-	-	-	-
4 Claims paid in the current year but reported as expenses incurred but not reported in previous years.	-	-	-	-	-
5 Landfill closure and postclosure care costs recorded as expended in previous years.	-	-	-	-	-
6 Total additions	\$ -	\$ 4,285,202	\$ -	\$ -	\$ 4,285,202
D. Amounts reported on Part II, Line A	\$ 37,853,602	\$ 14,338,539	\$ -	\$ -	\$ 52,192,141

See accompanying notes to report.

TOWN OF PRESCOTT VALLEY, ARIZONA
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 March 12, 2013, 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 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 exclusion claimed for items not requiring the use of working capital - Depreciation and amortization in the Enterprise Funds consists of \$2,782,632 and \$1,679,984 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 3 The subtraction of \$2,929,529 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 Ranch	StoneRidge	Eastridge	Quailwood Meadows	Parkway District #1	Raven Ridge	Southside District #1	Total
General government	\$ 104,304	\$ 158,050	\$ 1,598	\$ 60,918	\$ 19,854	\$ 636	\$ 1,533	346,893
Principal	240,000	375,000	200,000	195,000	110,000	127,024	187,000	1,434,024
Interest and other charges	242,203	320,900	41,223	233,666	153,677	6,003	150,940	1,148,612
	<u>\$ 586,507</u>	<u>\$ 853,950</u>	<u>\$ 242,821</u>	<u>\$ 489,584</u>	<u>\$ 283,531</u>	<u>\$ 133,663</u>	<u>\$ 339,473</u>	<u>\$ 2,929,529</u>

NOTE 4 The addition for acquisition of capital assets in the Enterprise Funds consists of \$689,025 and \$808,868 for the Wastewater and Prescott Valley Water System Funds, respectively.

NOTE 5 The addition of \$2,787,309 for principal payments on long-term debt in the Enterprise Funds consists of the following:

Water System (Series 2008)	\$ 1,580,000
Wastewater (Series 2012)	490,000
Water Infrastructure Finance Authority	
Loan (Issued 3/22/05)	482,229
Loan (Issued 3/16/07)	235,080
	<u>\$ 2,787,309</u>