

TOWN OF PARADISE VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2018

**TOWN OF PARADISE VALLEY, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

| | |
|--|----------|
| INDEPENDENT ACCOUNTANTS' REPORT | 1 |
| ANNUAL EXPENDITURE LIMITATION REPORT - PART I | 2 |
| ANNUAL EXPENDITURE LIMITATION REPORT - PART II | 3 |
| ANNUAL EXPENDITURE LIMITATION REPORT – RECONCILIATION | 4 |
| NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT | 5 |

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and the Town Council
Town of Paradise Valley, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Paradise Valley, Arizona (Town), for the year ended June 30, 2018, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination 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 UERS 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 procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Paradise Valley, Arizona, referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 5, 2018

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

| | | |
|---|---------------|---------------|
| 1. Economic Estimates Commission expenditure limitation | \$ 40,254,982 | |
| 2. Voter approved alternative expenditure limitation | - | |
| 3. Enter applicable amount from Line 1 or Line 2 | - | \$ 40,254,982 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | 31,921,470 | |
| 5. Board-authorized expenditures necessitated by a disaster the Governor declared | - | |
| 6. Board-authorized expenditures necessitated by a disaster the Governor did not declare | - | |
| 7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year | - | |
| 8. Subtotal | 31,921,470 | |
| 9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve | - | |
| 10. Total adjusted amount subject to the expenditure limitation | 31,921,470 | 31,921,470 |
| 11. Amount under (in excess of) the expenditure limitation | | \$ 8,333,512 |

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:



Name and Title: Douglas W Allen, CPA
Chief Financial Officer

Telephone Number: (480) 948-7411

Date: November 5, 2018

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

| Description | Governmental Funds | Enterprise Funds | Total |
|--|-----------------------|---------------------|----------------------|
| A. Amounts reported on the Reconciliation Line D | \$ 32,045,537 | \$ 5,583,659 | \$ 37,629,196 |
| B. Less exclusions claimed: | | | |
| 1 Debt proceeds | 4,107,440 | - | 4,107,440 |
| 2 Debt service requirements | 375,554 | 369,803 | 745,357 |
| 3 Dividends, interest and gains on sale or redemption of investment securities | - | - | - |
| 4 Trustee or custodian | - | - | - |
| 5 Grants and aid from the federal government | - | - | - |
| 6 Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes | 17,751 | - | 17,751 |
| 7 Amounts received from the State of Arizona | 65,475 | - | 65,475 |
| 8 Quasi-external interfund transactions | 10,219 | - | 10,219 |
| 9 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements | - | - | - |
| 10 Highway user revenues in excess of those received in fiscal year 1979-80 | 761,484 | - | 761,484 |
| 11 Contracts with other political subdivisions | - | - | - |
| 12 Refunds, reimbursements and other recoveries | - | - | - |
| 13 Voter approved exclusions not identified above | - | - | - |
| 14 Prior years carryforward | - | - | - |
| 15 Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07 | - | - | - |
| 16 Total exclusions claimed | <u>5,337,923</u> | <u>369,803</u> | <u>5,707,726</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 26,707,614</u> | <u>\$ 5,213,856</u> | <u>\$ 31,921,470</u> |

See accompanying Notes to Report.

**TOWN OF PARADISE VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| Description | Governmental Funds | Enterprise Funds | Total |
|--|-----------------------|---------------------|----------------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements. | \$ 32,858,741 | \$ 5,642,153 | \$ 38,500,894 |
| B. Subtract: | | | |
| 1 Items not requiring use of working capital | | | |
| Depreciation | - | 426,561 | 426,561 |
| Bad debt expense | - | 1,689 | 1,689 |
| Claims incurred but not reported (IBNR) | - | - | - |
| Pension Expense | - | - | - |
| 2 Expenditures of separate legal entities established under ARS | 813,204 | - | 813,204 |
| 3 Required fees paid to the Arizona Department of Revenue | - | - | - |
| 4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception | - | - | - |
| 5 Involuntary court judgments | - | - | - |
| 6 Total subtractions | <u>813,204</u> | <u>428,250</u> | <u>1,241,454</u> |
| C. Additions: | | | |
| 1 Principal payments on long-term debt | - | 354,797 | 354,797 |
| 2 Capital asset acquisitions | - | 14,959 | 14,959 |
| 3 Amounts paid in the current year but reported as expenses in previous years: | | | |
| OPEB | - | - | - |
| Claims previously recognized as IBNR | - | - | - |
| Landfill closure and postclosure care costs | - | - | - |
| 4 Pension contributions paid in the current year | - | - | - |
| 5 Total additions | <u>-</u> | <u>369,756</u> | <u>369,756</u> |
| D. Amounts reported on Part II Line A | <u>\$ 32,045,537</u> | <u>\$ 5,583,659</u> | <u>\$ 37,629,196</u> |

See accompanying Notes to Report.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2018

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, which 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-based financial statements.

In accordance with the 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-based 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 Enterprise Funds and the Statement of Cash Flows for the Enterprise Funds.

NOTE 2 ITEMS NOT REQUIRING THE USE OF WORKING CAPITAL

The subtraction for items not requiring the use of working capital includes the current year depreciation expense (\$441,980), less the amortization of the current year bond premium (\$15,419) recorded in the Enterprise Funds and bad debt expense (\$1,689) recorded in the Enterprise Funds.

NOTE 3 EXPENDITURES OF SEPARATE LEGAL ENTITIES ESTABLISHED UNDER ARS

The subtraction for expenditures of separate legal entities established under ARS includes expenditures of the Mummy Mountain Preserve Trust Fund (\$0) and principal and interest expenditures of the MPC Debt Service Fund (\$813,204) in the governmental funds.

NOTE 4 BOND PROCEEDS

The exclusion claimed for bond proceeds was for the use the Excise Tax Revenue Bond, Series 2016 for various capital projects (\$4,107,440) recorded in the capital projects governmental fund during the fiscal year ended June 30, 2018. The Town has a remaining unspent balance of \$1,358,915.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2018**

NOTE 5 DEBT SERVICE REQUIREMENTS

The exclusion claimed for debt service requirements in the Governmental and Enterprise Funds consist of principal retirement and interest expense on revenue bonds, capital leases and interest paid on an advance from the General Fund in the governmental funds and enterprise funds as follows:

| | Governmental Funds | | |
|--|--------------------|------------|------------|
| | Principal | Interest | Total |
| Capital Leases | \$ 73,186 | \$ 1,306 | \$ 74,492 |
| Long-Term Advances to Other Funds | - | 14,200 | 14,200 |
| Excise Tax Revenue Bonds, Series 2016 | 155,000 | 131,862 | 286,862 |
| Total | \$ 228,186 | \$ 147,368 | \$ 375,554 |
| | Enterprise Funds | | |
| | Principal | Interest | Total |
| Excise Tax Revenue Bonds, Series 2009 | \$ 354,797 | \$ 15,006 | \$ 369,803 |
| | \$ 354,797 | \$ 15,006 | \$ 369,803 |

NOTE 6 GRANTS, AID, CONTRIBUTIONS OR GIFTS FROM A PRIVATE AGENCY, ORGANIZATION, OR INDIVIDUAL

Amounts received from contributions consist of the following:

| | |
|------------------|-----------|
| Police Donations | \$ 7,811 |
| Donations Fund | 9,940 |
| Total | \$ 17,751 |

NOTE 7 AMOUNTS RECEIVED FROM STATE

Amounts received from the State consist of the following:

| | |
|-----------------------------|-----------|
| Miscellaneous Police Grants | \$ 31,408 |
| LTAf II | 34,067 |
| Total | \$ 65,475 |

NOTE 8 QUASI-EXTERNAL INTERFUND TRANSACTIONS

The Town pays sewer charges to its Sewer System Enterprise Fund. Therefore, these expenditures are deducted from the Governmental Funds to avoid double counting and the related expenditures are reported in the Enterprise Fund.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2018**

NOTE 9 HIGHWAY USER REVENUE IN EXCESS OF 1979-80

Highway user revenues (HURF) in excess of fiscal year 1979-80 and LTAF revenues:

| | | |
|--|----|----------------|
| HURF Fund Revenue | \$ | 933,034 |
| Less: LTAF Expenditures | | - |
| Less: 1979-80 Revenue | | (171,550) |
| Total | \$ | <u>761,484</u> |
| | | |
| Current Year Expenditures | \$ | 4,410,776 |
| Nonexcludable Expenditures | | |
| Transfer from the General Fund | | (3,926,465) |
| Expenditures in Excess of 1979-80 Revenues | | 277,173 |
| Total Excludable Expenditures | \$ | <u>761,484</u> |

NOTE 10 GOVERNMENTAL AND ENTERPRISE FUND CARRYFORWARD

The Town has the following carryforward to offset future expenditures for purposes of the Annual Expenditure Limitation Report:

| | Governmental Funds | Enterprise Funds | Total |
|--|-----------------------|---------------------|---------------------|
| Balance at June 30, 2017 | \$ 226,856 | \$ 561,472 | \$ 788,328 |
| Current Year Interest | 250,226 | - | 250,226 |
| Less: Interest Received from Advance to Court Enhancement Fund | (14,200) | - | (14,200) |
| LTAF and Excess HURF | 277,173 | - | 277,173 |
| Current Year Carryforward Used | - | - | - |
| Balance at June 30, 2018 | <u>\$ 740,055</u> | <u>\$ 561,472</u> | <u>\$ 1,301,527</u> |