

TOWN OF FREDONIA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2018
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANT

TOWN OF FREDONIA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
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HINTONBURDICK
CPAs & ADVISORS

Independent Accountants' Report on AELR

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Fredonia, Arizona, for the year ended June 30, 2018. This report is the responsibility of the Town of Fredonia, Arizona's management. 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 Fredonia, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

HintonBurdick, PLLC
St. George, Utah
February 7, 2019

TOWN OF FREDONIA, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2018

| | | |
|---|---------------------|---------------------|
| 1. Economic Estimates Commission expenditure limitation | N/A | |
| 2. Voter-approved alternative expenditure limitation (approved April 15, 2014) | <u>\$ 5,286,066</u> | |
| 3. Enter applicable amount from line 1 or line 2 | | 5,286,066 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | | <u>2,107,077</u> |
| 5. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation) | | <u>\$ 3,178,989</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: _____

Name and Title: Shannon Lathim, Interim Town Manager

Telephone Number: (928) 643-7241 Date: _____

See accompanying notes to report.

TOWN OF FREDONIA, 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 | \$ 966,309 | \$ 1,140,768 | \$ 2,107,077 |
| 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 the sale or redemption of investment securities | - | - | - |
| 3. Trustee or custodian | - | - | - |
| 4. Grants and aid from the 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 of Arizona | - | - | - |
| 7. Quasi-external interfund transactions | - | - | - |
| 8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements | - | - | - |
| 9. Highway user revenues in excess of those received in 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 carryforward | - | - | - |
| 14. Total exclusions claimed | - | - | - |
| C. Amount subject to the expenditure limitation | \$ 966,309 | \$ 1,140,768 | \$ 2,107,077 |
| (If an individual fund type amount is negative, reduce) exclusions claimed to net to zero.) | \$ 966,309 | \$ 1,140,768 | \$ 2,107,077 |

See accompanying notes to report.

TOWN OF FREDONIA, 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 financial statements | \$ 966,309 | \$ 1,203,895 | \$ 2,170,204 |
| B. Subtractions: | | | |
| 1. Items not requiring use of working capital: | | | |
| Depreciation/Amortization | - | 314,329 | 314,329 |
| Loss on disposal of capital assets | - | - | - |
| Bad debt expense | - | - | - |
| Pension/OPEB expense | - | (47,838) | (47,838) |
| Claims incurred but not reported | - | - | - |
| Landfill closure and postclosure care costs | - | - | - |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes | - | - | - |
| 3. Required fees paid to the Arizona Dept. of Revenue | - | - | - |
| 4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements | - | - | - |
| 5. Involuntary court judgments | - | - | - |
| 6. Total subtractions | - | 266,491 | 266,491 |
| C. Additions: | | | |
| 1. Principal payments on long-term debt | - | 149,883 | 149,883 |
| 2. Acquisition of capital assets | - | 20,000 | 20,000 |
| 3. Amounts paid in the current year but reported as expenses in previous years: | | | |
| Pension/OPEB contributions | - | 33,481 | 33,481 |
| Claims previously recognized as IBNR | - | - | - |
| Landfill closure and postclosure care costs | - | - | - |
| 4. Total additions | - | 203,364 | 203,364 |
| D. Amounts reported on Part II, Line A | \$ 966,309 | \$ 1,140,768 | \$ 2,107,077 |

See accompanying notes to report.

TOWN OF FREDONIA, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended 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, and in accordance with the voter-approved alternative expenditure limitation plan as authorized by the Arizona Constitution, Article IX, §20 (9). The voter-approved alternative expenditure limitation was extended.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed in 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 Net Position for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Position.

Note 2. Reconciliation Deductions and Additions

Details for the subtraction for depreciation and the additions for principal payments and the acquisition of capital assets are all provided in the Statement of Cash Flows for the Proprietary Funds and the financial statement footnote for long-term debt. The subtraction for pension expense is a negative amount due to the calculated change in the net pension liability as reported in the Statement of Cash Flows for the Proprietary Funds.

The addition of principal payments on long-term debt in the Enterprise Funds consists of \$149,883 paid on loans payable during the current fiscal year. The addition for the acquisition of capital assets consists of \$20,000 paid for the acquisition of equipment in the Enterprise Funds.

Note 3. Exclusions

Exclusions from local revenues, including those enumerated in the Constitution, may be taken against alternative expenditure limitation only if such exclusions are specifically identified in the resolution and the publicity pamphlet. There are no such exclusions specifically identified.