

**CITY OF SIERRA VISTA, ARIZONA
REPORT ON EXAMINATION OF ANNUAL
EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2015**

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YEAR ENDED JUNE 30, 2015**

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and City Council
of the City of Sierra Vista, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Sierra Vista, Arizona for the year ended June 30, 2015. This report is the responsibility of the City of Sierra Vista, Arizona 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 City of Sierra Vista, 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.
CPAs and Business Consultants

February 19, 2016

**CITY OF SIERRA VISTA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2015**

1. Economic Estimates Commission expenditure limitation	\$ 53,525,425
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>39,968,240</u>
3. Amount under the expenditure limitation	<u>\$ 13,557,185</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: David J. Felix, CPA, Finance Manager

Telephone Number: (520) 458-3315

Date: February 19, 2016

See accompanying notes to report.

**CITY OF SIERRA VISTA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2015**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 43,028,515	\$ 8,747,790	\$ 4,016,130	\$ 55,792,435
B. Less exclusions claimed:				
1. Debt service requirements on bonded indebtedness (Note 3)	3,441,845			3,441,845
Debt service requirements on other long-term obligations (Note 3)	388,298	1,169,843		1,558,141
2. Quasi-external interfund transactions (Note 4)	1,062,833		3,039,529	4,102,362
3. Grants and aid from the Federal government (Note 7)	1,843,564	293,936		2,137,500
4. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes (Note 7)	1,591,446			1,591,446
5. Amounts received from the State (Note 7)	116,710			116,710
6. Contracts with other political subdivisions (Note 7)	308,558			308,558
7. Highway user revenues in excess of fiscal year 1979-1980 highway user revenues (Note 6)	<u>2,567,633</u>			<u>2,567,633</u>
8. Total exclusions claimed	<u>11,320,887</u>	<u>1,463,779</u>	<u>3,039,529</u>	<u>15,824,195</u>
C. Amount subject to the expenditure limitation	<u>\$ 31,707,628</u>	<u>\$ 7,284,011</u>	<u>\$ 976,601</u>	<u>\$ 39,968,240</u>

See accompanying notes to report

**CITY OF SIERRA VISTA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2015**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Total expenditures/expenses and applicable other financing uses reported within the financial statements (Note 2)	\$ 43,028,515	\$ 9,304,032	\$ 4,012,234	\$ 56,344,781
B. Subtractions				
1. Items not requiring use of current financial resources:				
Depreciation		1,322,322		1,322,322
Bad debt expense		120,000		120,000
Pension expense (Note 8)		70,340		70,340
OPEB expense (Note 9)		214,696		214,696
Loss on disposal of capital assets		1,411,252		1,411,252
Claims incurred but not reported			3,319,408	3,319,408
2. Total subtractions	<u>-</u>	<u>3,138,610</u>	<u>3,319,408</u>	<u>6,458,018</u>
C. Additions				
1. Principal payments on long-term debt		958,575		958,575
2. Acquisition of capital assets		1,316,783		1,316,783
3. Amounts paid in current year but reported as expenses in previous years:				
Claims previously recognized as incurred but not reported (Note 5)			3,323,304	3,323,304
OPEB contributions (Note 9)		83,346		83,346
4. Pension contributions (Note 8)		223,664		223,664
5. Total additions		<u>2,582,368</u>	<u>3,323,304</u>	<u>5,905,672</u>
D. Amounts reported on Part II, Line A	<u>\$ 43,028,515</u>	<u>\$ 8,747,790</u>	<u>\$ 4,016,130</u>	<u>\$ 55,792,435</u>

See accompanying notes to report.

**CITY OF SIERRA VISTA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2015**

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 (A.R.S.) §41-1279.07. The ALER excludes expenditures or expenses of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures or expenses reported in the fund 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 financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds, and the Statement of Cash Flows - Proprietary Funds.

NOTE 2 - Total expenses reported within the financial statements for the Enterprise Funds consists of the following:

Total operating expenses	\$7,681,512
Loss on disposal of capital asset	1,411,252
Interest expense	<u>211,268</u>
Total	<u>\$9,304,032</u>

NOTE 3 - The exclusions claimed under debt service requirements consist of bonded indebtedness of \$3,441,845 in the Debt Service Funds (Sierra Vista Municipal Property Corporation I&R Fund). This amount includes \$2,600,000 principal, \$836,845 interest and \$5,000 fiscal agent fees. Other long-term obligations consist of \$348,520 principal and \$39,778 interest in Governmental Funds (General, HURF, Park Development Fee and Airport) and \$958,575 principal and \$211,268 interest in the Enterprise Funds (Sewer and Refuse Funds).

NOTE 4 - The exclusion shown for quasi-external interfund transactions are the contributions paid to internal service funds for employee health, accident and dental and the charges for services paid to the General fund for fleet, engineering and administrative services.

NOTE 5 - Claims paid in the current year, but reported as expenses incurred but not reported in previous years is included in the cash paid to suppliers for goods and services in the statement of cash flows – proprietary funds.

**CITY OF SIERRA VISTA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2015**

NOTE 6 - The following schedule presents HURF revenues for which exemptions have been claimed:

HURF revenues received in FY14/15	\$ 3,098,726
HURF revenues received in FY14/15 used for debt service:	
Recorded in the HURF fund	(66,469)
HURF revenues received in FY79/80	<u>(464,624)</u>
Revenue available for exclusion	<u>\$ 2,567,633</u>
Actual FY14/15 HURF expenditures (including transfers out)	\$ 5,153,727
Less debt expenditures	(66,469)
Less expenditures of other revenues	<u>(2,271,972)</u>
Net 14/15 HURF expenditures	2,815,286
Amount equal to FY79/80 revenues expended in FY14/15	<u>(464,624)</u>
Excludable revenues expended in FY14/15	<u>\$ 2,350,662</u>
Excludable revenues and carryforward expended in FY14/15	\$ 2,350,662
Revenues available for exclusion	<u>(2,567,633)</u>
Unspent revenues available for carryforward	<u>\$ 216,971</u>

NOTE 7 - The exclusions for grants and aid from the federal government, amounts received from the state, contracts with other political subdivisions, public agencies, organizations and individuals are included in intergovernmental revenues and contributions. The following schedule breaks out these revenues:

Grants from the Federal Government reported on the SEFA	\$ 2,104,231
Grants from the Federal Government reported in enterprise funds	(293,936)
Contracts with Federal Government	33,269
Amounts received from the State	116,710
Contributions expended	1,591,446
Contributions received but not expended	3,630
Contracts with other political subdivisions	308,558
State shared revenues and other intergovernmental revenues	<u>14,369,608</u>
Total Intergovernmental and Contribution Revenues	<u>\$18,233,516</u>

NOTE 8 – The subtractions of pension expense consists of the change in net pension liability recognized in the current year and the addition of pension contributions consist of the contributions to the Arizona State Retirement System from the Enterprise Funds (Sewer and Refuse).

NOTE 9 – The subtractions of other postemployment benefits expense consists of the amounts expensed in the current year but not yet paid and the additions consist of payments in the current year for amounts recognized as expenses in previous years in the Enterprise Funds (Sewer and Refuse).

**CITY OF SIERRA VISTA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2015**

NOTE 10 - Carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated for exemption in future years:

Total internal service fund operating revenue	\$4,039,513
Less total internal service fund operating expenses	(4,012,234)
Investment income	<u>4,020</u>
Unspent internal service fund revenue for carryforward	\$ 31,299
Unspent HURF revenues available for carryforward FY14/15	\$ 216,971
Unspent investment income available for carryforward FY14/15	\$ 15,870
Unspent internal service fund revenue for carryforward FY14/15	\$ 31,299
Carryforward balance from FY13/14	<u>\$6,622,413</u>
Total carryforward	<u>\$6,886,553</u>
Total HURF carryforward (Fund balance)	\$ 612,188
Total internal service fund carryforward	\$4,984,671
Total investment income carryforward (Governmental funds)	<u>\$1,289,694</u>
Total carryforward	<u>\$6,866,553</u>