

**CITY OF SOMERTON, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**JUNE 30, 2018**  
**WITH REPORT OF**  
**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

## Table of Contents

|  | PAGE |
|--|------|
| Independent Accountant's 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 City Council  
City of Somerton, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Somerton, Arizona, for the year ended June 30, 2018, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system 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 uniform expenditure reporting system 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 the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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



HintonBurdick, PLLC  
Flagstaff, Arizona  
December 31, 2018

**CITY OF SOMERTON, 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   | <u>\$ 43,637,581</u> |
| 3. Enter applicable amount from line 1 or line 2   | 43,637,581           |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C)  | <u>23,165,303</u>    |
| 5. Amount under (in excess of) the expenditure limitation<br>(if excess expenditures are reported, provide an explanation) | <u>\$ 20,472,278</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: Ian McGaughey, City Manager

Telephone Number: (928) 722-7343 Date: \_\_\_\_\_

See accompanying notes to report.

**CITY OF SOMERTON, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2018**

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| Description   | Governmental<br>Funds | Enterprise<br>Funds | Fiduciary<br>Funds | Total         |
|---|-----------------------|---------------------|--------------------|---------------|
| A. Amounts reported on the Reconciliation Line D  | \$ 18,341,959         | \$ 4,823,344        | \$ -               | \$ 23,165,303 |
| B. Less exclusions claimed:   | -                     | -                   | -                  | -             |
| C. Amounts subject to the expenditure limitation<br>(If an individual fund type amount is negative,<br>reduce exclusions claimed to net to zero.) | \$ 18,341,959         | \$ 4,823,344        | \$ -               | \$ 23,165,303 |

See accompanying notes to report.

**CITY OF SOMERTON, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2018**

| Description   | Governmental<br>Funds | Enterprise<br>Funds | Fiduciary<br>Funds | Total         |
|---|-----------------------|---------------------|--------------------|---------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | \$ 18,341,959         | \$ 5,080,220        | \$ -               | \$ 23,422,179 |
| B. Subtractions:  |                       |                     |                    |               |
| 1. Items not requiring use of working capital:  |                       |                     |                    |               |
| Depreciation  | -                     | 1,682,260           | -                  | 1,682,260     |
| Pension/OPEB expense  | -                     | 71,236              | -                  | 71,236        |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes   | -                     | -                   | -                  | -             |
| 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   | -                     | 1,753,496           | -                  | 1,753,496     |
| C. Additions:   |                       |                     |                    |               |
| 1. Principal payments on long-term debt   | -                     | 715,285             | -                  | 715,285       |
| 2. Capital asset acquisitions   | -                     | 666,200             | -                  | 666,200       |
| 3. Amounts paid in the current year but reported as expenses in previous years:   |                       |                     |                    |               |
| Pension/OPEB contributions  | -                     | 115,135             | -                  | 115,135       |
| Claims previously recognized as IBNR  | -                     | -                   | -                  | -             |
| Landfill Closure and postclosure care costs   | -                     | -                   | -                  | -             |
| 4. Total additions  | -                     | 1,496,620           | -                  | 1,496,620     |
| D. Amounts reported on Part II, Line A  | \$ 18,341,959         | \$ 4,823,344        | \$ -               | \$ 23,165,303 |

See accompanying notes to report.

**CITY OF SOMERTON, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies**

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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 adopted May 15, 2001, as authorized by the Arizona Constitution, Article IX, §20 (9). On January 6, 2009 the voter-approved alternative expenditure limitation was extended until fiscal year 2014. On May 21, 2013, the voter approved alternative expenditure limitation was extended again until fiscal year 2018.

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 Assets for the Proprietary Funds, and Statement of Cash Flows for the Proprietary Funds.

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**Note 2. Reconciliation Subtractions and Additions**

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The addition of \$715,285 for principal payments on long-term debt in the Enterprise Funds consists of \$601,827 paid on notes payable, \$53,458 paid on lease payable, and \$60,000 paid on bonds payable during the current fiscal year. The addition of \$666,200 for acquisition of capital assets consists mainly of improvements to the wastewater distribution system and equipment/automobiles in the sewer fund.

The addition of \$71,236 for pension/OPEB expense consists of the change in the net pension/OPEB liability recognized in the current year in the proprietary funds. The addition of \$115,135 for pension contributions paid in the current year consists of the required pension/OPEB contributions made to the Arizona State Retirement System from the proprietary funds.

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**Note 3. Exclusions**

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Exclusions from local revenues, including those enumerated in the Constitution, may be taken against alternative expenditure limitations only if such exclusions are specifically identified in the resolution and the publicity pamphlet. The government's most current resolution specifies exclusions that may be taken, however no exclusions are reported within this document.