

**CITY OF PEORIA, ARIZONA
REPORT ON EXAMINATION OF
ANNUAL EXPENDITURE
LIMITATION REPORT
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 Peoria, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Peoria, Arizona for the year ended June 30, 2015. This report is the responsibility of the City of Peoria, 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 Peoria, 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

January 11, 2016

CITY OF PEORIA, ARIZONA
Annual Expenditure Limitation Report -- Part II
Year Ended June 30, 2015

Reporting Requirements	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 185,836,629	85,674,026	41,016,230	20,400	312,547,285
B. Less exclusions claimed:					
1. Debt service requirements on bonded indebtedness	23,731,355	12,308,682	-	-	36,040,037
Total exclusions claimed	\$ 23,731,355	12,308,682	-	-	36,040,037
C. Amount subject to the expenditure limitation	\$ 162,105,274	73,365,344	41,016,230	20,400	276,507,248

See accompanying notes to report.

CITY OF PEORIA, ARIZONA
Annual Expenditure Limitation Report -- Reconciliation
Year Ended June 30, 2015

Reporting Requirements	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 financial statements	\$ 191,362,246	75,072,439	40,557,007	20,400	307,012,092
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation	-	(20,388,199)	(3,721,811)	-	(24,110,010)
Current year increase in IBNR accrual	-	-	(14,035,927)	-	(14,035,927)
Pension expense	-	(814,461)	(571,646)	-	(1,386,107)
2. Expenditures of separate legal entities established under Arizona Revised Statutes	(5,525,617)	-	-	-	(5,525,617)
3. Total subtractions	(5,525,617)	(21,202,660)	(18,329,384)	-	(45,057,661)
C. Additions:					
1. Principal payments on long-term debt	-	9,210,039	-	-	9,210,039
2. Acquisition of capital assets	-	21,586,867	3,915,114	-	25,501,981
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	14,166,470	-	14,166,470
4. Pension contributions paid in the current year	-	1,007,341	707,023	-	1,714,364
5. Total additions	-	31,804,247	18,788,607	-	50,592,854
D. Amounts reported on Part II, Line A	\$ 185,836,629	85,674,026	41,016,230	20,400	312,547,285

See accompanying notes to report.

CITY OF PEORIA, ARIZONA

Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

(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 the Arizona Revised Statutes, Section 41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, Section 20, from the total expenditures, expenses, or deductions 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 following: In the basic financial statements, the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; the Statement of Cash Flows for the Proprietary Funds; the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds; and in the combining statements, the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for the Non-Major Governmental Funds; and the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position for the Internal Service Funds of the City of Peoria, Arizona, as of and for the year ended June 30, 2015.

- (2)** The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense.
- (3)** The subtraction of \$14,035,927 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year, including adjustments, but not yet paid in the Internal Service Funds.
- (4)** The subtraction of \$5,525,617 for separate legal entities established under Arizona Revised Statutes consists of expenditures of Community Facilities (i.e. special assessment districts) included within the city'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. Amounts were expended for debt service payments.
- (5)** The addition of \$9,210,039 for principal payments on long-term debt in the Enterprise Funds consists of \$4,665,000 for revenue bonds, and \$4,545,039 for Water Infrastructure Finance Authority loans paid from the Water Utility and Wastewater Utility funds.
- (6)** The addition of \$14,166,470 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.
- (7)** The total subtraction of \$1,386,107 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise and Internal Service Funds. The total addition of \$1,714,364 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirements System from the Enterprise and Internal Service Funds.