



**CITY OF AVONDALE, ARIZONA  
REPORT ON EXAMINATION OF ANNUAL  
EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2017**

**CITY OF AVONDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2017**

<b>Contents</b>	<b>Page</b>
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

The Honorable Mayor and City Council  
City of Avondale, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Avondale, Arizona (City), for the year ended June 30, 2017, 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* (UERS) as described in Note 1. 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. 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 City of Avondale, Arizona, referred to above, is presented in accordance with the UERS as described in Note 1 in all material respects.

This report is intended solely for the information and use of the Mayor and City Council and management of the City of Avondale, Arizona, and the Auditor General of the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 22, 2018

CITY OF AVONDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART I  
YEAR ENDED JUNE 30, 2017

1. Economic Estimates Commission expenditure limitation	\$ 50,912,734
2. Voter-approved alternative expenditure limitation (approved August 30, 2016)	<u>204,012,519</u>
3. Enter applicable amount from line 1 or 2	<u>\$ 204,012,519</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line c)	115,115,178
5. Board-authorized expenditures necessitated by disaster declared by the Governor	n/a
6. Board-authorized expenditures necessitated by disaster not declared by the Governor	n/a
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year	<u>n/a</u>
8. Subtotal	115,115,178
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare by the Governor and not approved by the voters	n/a
10. Total adjusted amount subject to the expenditure limitation	<u>\$ 115,115,178</u>
11. Amount under (in excess of) the expenditure limitation	<u><u>88,897,341</u></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: Steven Montague, Acting Finance and Budget Director

Telephone Number: (623) 333-2013

Date: 3/22/18

See accompanying notes to the Annual Expenditure Limitation Report.

**CITY OF AVONDALE, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART II  
YEAR ENDED JUNE 30, 2017**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Trust Fund</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line d	\$ 84,609,201	\$ 26,494,943	\$ 4,006,234	\$ 4,800	\$ 115,115,178
B. Less exclusions claimed: <sup>1</sup>	-	-	-	-	-
C. Amount subject to the expenditure limitation	<u>\$ 84,609,201</u>	<u>\$ 26,494,943</u>	<u>\$ 4,006,234</u>	<u>\$ 4,800</u>	<u>\$ 115,115,178</u>

<sup>1</sup> Exclusions are not applicable under state law because the City's voters passed an Alternative Expenditure Limitation Proposition.

See accompanying notes to the Annual Expenditure Limitation Report.

**CITY OF AVONDALE, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION**  
**YEAR ENDED JUNE 30, 2017**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Trust Fund</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 84,913,527	\$ 33,308,471	\$ 4,053,390	\$ 4,800	\$ 122,280,188
B. Subtractions:					
1. Items not requiring use of current financial resources:					
a. Depreciation	-	14,399,694	110,171	-	14,509,865
b. Bad debt expense	-	37,692	-	-	37,692
c. Claims incurred but not reported (IBNR)	-	-	757,947	-	757,947
d. Pension expense	-	459,262	51,632	-	510,894
2. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	304,326	-	-	-	304,326
Total subtractions	<u>304,326</u>	<u>14,896,648</u>	<u>919,750</u>	<u>-</u>	<u>16,120,724</u>
C. Additions:					
1. Principal payments on long-term debt	-	1,651,961	-	-	1,651,961
2. Capital asset acquisitions	-	5,941,066	103,011	-	6,044,077
3. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR	-	-	703,998	-	703,998
b. Pension contributions	-	490,093	65,585	-	555,678
Total additions	<u>-</u>	<u>8,083,120</u>	<u>872,594</u>	<u>-</u>	<u>8,955,714</u>
D. Amounts reported on Part II, Line a	<u>\$ 84,609,201</u>	<u>\$ 26,494,943</u>	<u>\$ 4,006,234</u>	<u>\$ 4,800</u>	<u>\$ 115,115,178</u>

See accompanying notes to the Annual Expenditure Limitation Report.

**CITY OF AVONDALE, ARIZONA**  
**NOTE TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2017**

**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 AELR 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 financial statements.

In accordance with the UERS, 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 for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

**NOTE 2 RECONCILIATION DEDUCTIONS AND ADDITIONS**

The subtraction of \$37,692 for bad debt expense consists of water, wastewater, and sanitation accounts receivable balances determined to be uncollectible during the fiscal year.

The subtraction of \$757,594 for claims incurred but not reported (IBNR) consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Risk Management Fund, an internal service fund. The addition of \$703,998 for claims previously recognized as IBNR consists of the estimated cost of claims incurred and expensed in the previous fiscal year.

The subtraction of \$510,894 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 addition of \$555,678 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise and internal service funds.

The addition of \$1,651,964 for principal payments on long-term debt in the enterprise funds consists of the retirement of \$714,335 of water and sewer system revenue bonds and refunding of \$937,626 of Municipal Development Corporation excise tax revenue bonds during the fiscal year.

The addition of \$5,941,066 for capital asset acquisitions in the enterprise funds consists of capital assets acquired and constructed totaling \$6,185,842, reduced by \$244,776 for capital assets acquired in noncash transactions through donations.