



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Coconino County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

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Coconino County
Annual Expenditure Limitation Report
Year Ended June 30, 2014

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Accountants' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Coconino County for the year ended June 30, 2014. This report is the responsibility of the County'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 Coconino County referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA
Financial Audit Director

July 9, 2015

Coconino County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2014

1. Economic Estimates Commission expenditure limitation	\$56,203,452
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>53,630,621</u>
3. Amount under the expenditure limitation	<u>\$ 2,572,831</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: Bonny K. Lynn, Finance Director/CFO

Telephone Number: (928) 679-7180 Date: July 9, 2015

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2014

Description	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 81,590,075	\$ 3,376,878	\$ 316,448,645	\$ 401,415,598
B. Less exclusions claimed:				
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	861,188	21,313		882,501
Trustee or custodian (Note 3)	638,731		316,448,645	317,087,376
Grants and aid from the federal government (Note 4)	7,468,184			7,468,184
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	216,111			216,111
Amounts received from the State of Arizona (Note 4)	8,643,244			8,643,244
Quasi-external interfund transactions (Note 6)		2,718,009		2,718,009
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 7)	10,483			10,483
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	4,866,875			4,866,875
Contracts with other political subdivisions (Note 8)	657,507			657,507
Refunds, reimbursements, and other recoveries (Note 9)	20,554			20,554
Amounts received for distribution to school districts (Note 10)	3,724,728			3,724,728
Prior years carryforward (Note 11)	<u>1,212,282</u>	<u>277,123</u>		<u>1,489,405</u>
Total exclusions claimed	<u>28,319,887</u>	<u>3,016,445</u>	<u>316,448,645</u>	<u>347,784,977</u>
C. Amounts subject to the expenditure limitation	<u>\$ 53,270,188</u>	<u>\$ 360,433</u>	<u>\$ -</u>	<u>\$ 53,630,621</u>

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2014

Description	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</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	\$ 118,759,073	\$ 3,110,292	\$ 316,448,645	\$ 438,318,010
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		221,219		221,219
Other postemployment benefits expense (Note 12)		8,772		8,772
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 13)	36,783,465			36,783,465
Payments made to reimburse the Arizona Department of Health Services (Note 14)	<u>385,533</u>			<u>385,533</u>
Total subtractions	<u>37,168,998</u>	<u>229,991</u>	<u>-</u>	<u>37,398,989</u>
C. Additions:				
Acquisition of capital assets		485,266		485,266
Other postemployment benefits paid in the current year but reported as expenses in previous years (Note 15)		<u>11,311</u>		<u>11,311</u>
Total additions	<u>-</u>	<u>496,577</u>	<u>-</u>	<u>496,577</u>
D. Amounts reported on Part II, Line A	<u>\$ 81,590,075</u>	<u>\$ 3,376,878</u>	<u>\$ 316,448,645</u>	<u>\$ 401,415,598</u>

See accompanying notes to report.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

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 §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 Fund; Statement of Cash Flows for the Proprietary Fund; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$861,188 in the Governmental Funds includes investment earnings expended of \$132,019 and interest attributed to delinquent taxes expended of \$729,169, which was recorded in the financial statements as tax revenue. Of the investment earnings reported in the Governmental Funds, \$397,514 is attributed to separate legal entities and school districts that are not included in the Economic Estimates Commission base limit calculations, and therefore is not reported as an exclusion. Remaining investment earnings from the Governmental Funds of \$1,184,219 have been carried forward to future years.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$638,731 expended from the County Anti-Racketeering Fund, benefiting other jurisdictions, that were recorded as general government expenditures. Remaining excludable revenues of \$50,675 have been carried forward to future years. In the Fiduciary Funds, the exclusion consists of \$316,448,645 in distributions to investment pool participants.

Note 4 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and highway user revenues in the Governmental Funds:

Description	
Grants and aid from the federal government	\$7,468,184
Amounts received from the State of Arizona	8,643,244
Highway user revenues in excess of those received in fiscal year 1979-80	4,866,875
Other revenues—(nonexcludable)	36,392,650
Amount carried forward	<u>2,984,840</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$60,355,793</u>

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

- Note 5 - The exclusions claimed for grants, aid, contributions or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes in the Governmental Funds, consists of \$216,111 for contributions revenue expended. Remaining excludable revenues of \$17,669 have been carried forward to future years. The remaining contributions revenues of \$425,038 were nonexcludable.
- Note 6 - The exclusion claimed for quasi-external interfund transactions in the amount of \$2,718,009 in the Internal Service Fund is reported as charges for services revenues expended.
- Note 7 - The exclusion claimed for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$10,483 consists of County sales taxes that were related to the special sales tax monies approved November 5, 2002, by the voters to be spent for parks and open space projects that were expended during the fiscal year. Remaining excludable amounts of \$2,832,998 have been carried forward to future years.
- Note 8 - The exclusion claimed for contracts with other political subdivisions of \$657,507 in the Governmental Funds consists of charges for services revenues expended for general government, public safety, sanitation, and welfare. Remaining excludable revenues of \$45,886 have been carried forward to future years.
- Note 9 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$20,554 in the Governmental Funds consists of charges for services revenues expended. Remaining excludable revenues of \$21,524 have been carried forward to future years.
- Note 10 - The exclusion claimed for amounts received for distribution to school districts of \$3,724,728 consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.
- Note 11 - Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	<u>Governmental Funds</u>	<u>Internal Service Fund</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 219,161	
Trustee or custodian	213	
Grants and aid from the federal government	292,922	
Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	562	
Amounts received from the State of Arizona	232,881	
Quasi-external interfund transactions		\$277,123
Contracts with other political subdivisions	432,766	
Refunds, reimbursements, and other recoveries	33,777	
Total prior years carryforward expended	<u>\$1,212,282</u>	<u>\$277,123</u>

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Note 12 - The subtraction of \$8,772 for other postemployment benefits expense, which is included in the amount of \$227,400 reported for accrued payroll and employee benefits on the Proprietary Fund Statement of Net Position, consists of the amounts expensed in the current year but not yet paid in the Internal Service Fund.

Note 13 - The subtraction of \$36,783,465 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County'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. The County's maintenance of effort payments for the Jail District and the Public Health Services District pursuant to Arizona Revised Statutes §48-4024 and §48-5802, respectively, were not included in the separate legal entities expenditure subtraction.

Special Assessment Districts	
Public safety	\$22,917,574
Sanitation	917,397
Culture and recreation	3,923,343
Highways and streets	9,640
Health	8,422,243
Welfare	130,836
Principal retirement	415,808
Interest and other charges	<u>46,624</u>
Total	<u>\$36,783,465</u>

Note 14 - The subtraction of \$385,533 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the costs to commit an individual determined to be sexually violent by the court, as required by Laws 2013, 1st Special Session, Chapter 10, Sections 17 and 18, which were recorded as general government expenditures.

Note 15 - The addition of \$11,311 for other postemployment benefits paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for amounts recognized as expenses in previous years. This amount reduced the current liabilities included in accrued payroll and employee benefits for the fiscal year, which was reported as \$227,400 on the Proprietary Fund Statement of Net Position.

