

Coconino County

Expenditure Limitation Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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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, 2016. The County'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.

Jay Zsorey, CPA
Financial Audit Director

November 20, 2017



Coconino County
Annual expenditure limitation report—part I
Year ended June 30, 2016

1. Economic Estimates Commission expenditure limitation	\$58,875,431
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>58,875,431</u>
3. Amount under the expenditure limitation	<u>\$ 0</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: November 20, 2017

See accompanying notes to report.

Coconino County
Annual expenditure limitation report—part II
Year ended June 30, 2016

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	\$ 105,319,845	\$ 2,607,572	\$ 224,003,622	\$ 331,931,039
B. Less exclusions claimed:				
Debt service requirements on other long-term obligations (Note 2)	22,945			22,945
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	1,333,751	10,207		1,343,958
Trustee or custodian (Note 4)	300,209		224,003,622	224,303,831
Grants and aid from the federal government (Note 5)	7,850,281			7,850,281
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	179,846			179,846
Amounts received from the State of Arizona (Note 5)	8,574,441			8,574,441
Quasi-external interfund transactions (Note 7)		2,303,051		2,303,051
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvement (Note 8)	8,271,297			8,271,297
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	7,838,765			7,838,765
Contracts with other political subdivisions (Note 9)	1,157,183			1,157,183
Refunds, reimbursements, and other recoveries (Note 10)	427,240			427,240
Amounts received for distribution to school districts (Note 11)	2,363,246			2,363,246
Prior years carryforward (Note 12)	<u>8,399,712</u>	<u>19,812</u>		<u>8,419,524</u>
Total exclusions claimed	<u>46,718,916</u>	<u>2,333,070</u>	<u>224,003,622</u>	<u>273,055,608</u>
C. Amounts subject to the expenditure limitation	<u>\$ 58,600,929</u>	<u>\$ 274,502</u>	<u>\$ -</u>	<u>\$ 58,875,431</u>

See accompanying notes to report.

Coconino County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2016

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	\$ 134,922,135	\$ 2,417,519	\$ 224,003,622	\$ 361,343,276
B. Subtractions:				
Items not requiring use of current financial resources:				
Depreciation		270,389		270,389
Pension expense (Note 13)		27,653		27,653
Other postemployment benefits (OPEB) expense (Note 14)		4,537		4,537
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 15)	29,375,291			29,375,291
Required fees/reimbursements made to Arizona state agencies (Note 16)	<u>226,999</u>			<u>226,999</u>
Total subtractions	<u>29,602,290</u>	<u>302,579</u>		<u>29,904,869</u>
C. Additions:				
Acquisition of capital assets		447,509		447,509
Pension contributions paid in the current year (Note 13)		35,948		35,948
Amounts paid in the current year but reported as expenses in previous years:				
OPEB (Note 17)		<u>9,175</u>		<u>9,175</u>
Total additions		<u>492,632</u>		<u>492,632</u>
D. Amounts reported on part II, line A	<u>\$ 105,319,845</u>	<u>\$ 2,607,572</u>	<u>\$ 224,003,622</u>	<u>\$ 331,931,039</u>

See accompanying notes to report.

Coconino County
Notes to annual expenditure limitation report
Year ended June 30, 2016

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 funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2

The exclusion claimed for debt service requirements on other long-term obligations of \$22,945 in the governmental funds consists of principal payments of \$22,244 and interest and miscellaneous charges of \$701.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,333,751 in the governmental funds includes investment earnings expended. Remaining investment earnings of the governmental funds of \$324,439 have been carried forward to future years.

Note 4

The exclusion claimed for trustee or custodian in the governmental funds consists of \$300,209 expended from the anti-racketeering fund, benefiting other jurisdictions, that were recorded as general government expenditures. In the fiduciary funds, the exclusion consists of \$224,003,622 in distributions to investment pool participants.

Note 5

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	\$ 7,850,281
Amounts received from the State of Arizona	8,574,441
Highway user revenues in excess of those received in fiscal year 1979-80	7,838,765
Other revenues—(nonexcludable)	37,011,707
Amount carried forward	<u>630,590</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$61,905,784</u>

Coconino County

Notes to annual expenditure limitation report

Year ended June 30, 2016

Note 6

The exclusion 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 \$179,846 for contributions revenue expended. Remaining excludable revenues of \$126,504 have been carried forward to future years. The remaining contributions revenue of \$372,853 was nonexcludable.

Note 7

The exclusion claimed for quasi-external interfund transactions in the amount of \$2,303,051 in the internal service fund consists of charges for services revenues expended.

Note 8

The exclusion claimed for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$8,271,297 consists of county sales taxes that were related to special sales tax monies voters approved November 5, 2002 and November 4, 2014, to be spent for parks and open space projects and road maintenance projects that were expended during the fiscal year. Remaining excludable amounts of \$182,380 have been carried forward to future years.

Note 9

The exclusion claimed for contracts with other political subdivisions of \$1,157,183 in the governmental funds consists of charges for services revenues expended for general government, public safety, sanitation, and welfare. Remaining excludable revenues of \$48,818 have been carried forward to future years.

Note 10

The exclusion claimed for refunds, reimbursements, and other recoveries of \$427,240 in the governmental funds consists of charges for services revenues expended. Remaining excludable revenues of \$31,157 have been carried forward to future years.

Note 11

The exclusion claimed for amounts received for distribution to school districts of \$2,363,246 consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.

Note 12

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:

Coconino County
Notes to annual expenditure limitation report
Year ended June 30, 2016

Description	Governmental funds	Internal service fund
Dividends, interest, and gains on the sale or redemption of investment securities	\$5,461,851	
Grants and aid from the federal government	42,618	
Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	219,019	
Amounts received from the State of Arizona	1,920,787	
Quasi-external interfund transactions		\$19,812
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	16,964	
Highway user revenues in excess of those received in fiscal year 1979-80	339,418	
Contracts with other political subdivisions	135,968	
Refunds, reimbursements, and other recoveries	<u>263,087</u>	
Total prior years carryforward expended	<u>\$8,399,712</u>	<u>\$19,812</u>

Note 13

The subtraction of \$27,653 for pension expense consists of the change in the net pension liability recognized in the current year in the internal service fund. The addition of \$35,948 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the internal service fund.

Note 14

The subtraction of \$4,537 for other postemployment benefits expense, which is included in the \$272,887 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 15

The subtraction of \$29,375,291 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.

Coconino County
Notes to annual expenditure limitation report
Year ended June 30, 2016

Special assessment districts	
Public safety	\$15,113,621
Sanitation	1,426,324
Culture and recreation	4,031,941
Highways and streets	615,000
Health	7,942,855
Welfare	142,422
Principal retirement	85,000
Interest and other charges	<u>18,128</u>
Total	<u>\$29,375,291</u>

Note 16

The subtraction of \$226,999 for required fees/reimbursements made to Arizona state agencies consists of county payments to reimburse the Arizona Department of Health Services for the cost of inpatient competency restoration treatment and part of the costs to commit an individual the court determines to be sexually violent, as required by Laws 2015, Chapter 14, Sections 8 and 9, which were recorded as general government expenditures.

Note 17

The addition of \$9,175 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 \$272,887 on the proprietary fund statement of net position.

