



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Federal Land Payments Report

State of Arizona

Statement of Federal Land Payments

October 1, 2008 through September 30, 2009



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 of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

State of Arizona
Statement of Federal Land Payments
October 1, 2008 through September 30, 2009

Table of Contents	Page
Independent Accountants' Report	1
Statement of Federal Land Payments	2
Notes to Statement of Federal Land Payments	3
Attachment to Notes to Statement of Federal Land Payments—Arizona Revised Statutes	6



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Accountants' Report

Members of the Arizona State Legislature

State of Arizona, Department of Administration

We have examined the accompanying Statement of Federal Land Payments of the State of Arizona for the period October 1, 2008 through September 30, 2009. This statement is the collective responsibility of the managements of the counties. Our responsibility is to express an opinion on this statement based on our examination.

We conducted our examination in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Accordingly, an examination includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Statement of Federal Land Payments was prepared to present the payments that the State of Arizona made to qualified local governmental subdivisions under 31 United States Code (U.S.C.) 6901 et seq.

In our opinion, the Statement of Federal Land Payments referred to above presents, in all material respects, the payments that the State of Arizona made to qualified local governmental subdivisions under 31 U.S.C. 6901 et seq for the period October 1, 2008 through September 30, 2009, in accordance with the regulatory requirements and on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the addressees and for filing with the U.S. Department of the Interior, Bureau of Land Management, 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.

Jay Zsorey, CPA
Financial Audit Director

January 15, 2010

State of Arizona
Statement of Federal Land Payments
October 1, 2008 through September 30, 2009

Federal Agency Making Payment and Payment Type*

Local Unit	USFS/MMS Timber and Secure Schools Title I (A.R.S. <u>\$11-497</u>)	USFS Secure Schools Title III	USFS Bankhead- Jones	BLM/MMS Mineral Leasing (A.R.S. <u>\$37-741(B)</u>)	BLM Taylor Grazing		BLM Bankhead- Jones	BLM Sale of Materials (A.R.S. <u>\$37-521</u>)	FERC Power Sales	FWS Refuge Revenue Sharing	Total Retained
					\$3 (A.R.S. <u>\$\$37-723 & 725</u>)	\$15 (A.R.S. <u>\$37-724</u>)					
Apache County											\$ 299,122
Cochise County	\$ 299,122										\$ 299,122
Coconino County	2,865,990	\$392,703									3,258,693
Gila County	114,042								\$2,357		116,399
Graham County											
Greenlee County	300,000										300,000
La Paz County					\$2,653						2,653
Maricopa County	523,345	43,099			6,576	\$ 310					573,330
Mohave County	8,585										8,585
Navajo County	1,130,175										1,130,175
Pima County	382,592	31,508			191	10,030					424,321
Pinal County	429,210				85						429,295
Santa Cruz County	713,911										715,570
Yavapai County	2,722,016	238,176									2,960,192
Yuma County											
Total	<u>\$9,488,988</u>	<u>\$705,486</u>			<u>\$9,505</u>	<u>\$11,999</u>			<u>\$2,357</u>		<u>\$10,218,335</u>

Abbreviations Used:

USFS—U.S. Forest Service
MMS—Mineral Management Service
A.R.S.—Arizona Revised Statutes
BLM—Bureau of Land Management
FERC—Federal Energy Regulatory Commission
FWS—Federal Wildlife Service

*These amounts represent the monies the county retained.

See accompanying notes to statement.

State of Arizona
Notes to Statement of Federal Land Payments
October 1, 2008 through September 30, 2009

Note 1 - Basis of Accounting

The Statement of Federal Land Payments (Statement) was prepared on the basis of cash disbursements that the State of Arizona made to qualified local governmental subdivisions during the period October 1, 2008 through September 30, 2009, under 31 U.S.C. 6901 et seq, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. This report is prepared in accordance with the provisions of the October 16, 1978, Comptroller General of the United States Decision B-167553. The amounts reported on this statement include only the monies the counties retained.

Note 2 - Reconciliation of Federal Land Payments

The following presents a reconciliation of the amounts presented on the Statement of Federal Land Payments to the Bureau of Land Management's (BLM) Schedule of Prior Year Payments Received By State and Local Governments During the Period October 1, 2008 through September 30, 2009:

Timber and Secure Schools, Title I and Title III

The State received \$18,368,268 of Timber and Secure Schools receipts, which were disbursed to the counties. Subsequently, the counties distributed \$8,173,794 for the benefit of the school districts (including accommodation schools) and retained \$10,194,474.

Bankhead-Jones

Monies the State received from the Bankhead-Jones Act are retained by the State and credited to the University of Arizona in compliance with the Enabling Act. The State received no amounts from either the USFS Bankhead-Jones or BLM Bankhead-Jones programs during the period October 1, 2008 through September 30, 2009.

Mineral Leasing

The State received \$242,711 of Mineral Leasing receipts during federal fiscal year 2009. These monies are retained by the State and are not distributed to any of the counties; as such, they are not recorded on the Statement. Arizona Revised Statute (A.R.S.) §37-741 requires revenue received from Mineral Leasing during the State's fiscal year to be distributed at the beginning of the subsequent fiscal year. However, the State did not transfer these monies until November 2009.

State of Arizona
Notes to Statement of Federal Land Payments
October 1, 2008 through September 30, 2009

Taylor Grazing, Sections 3 and 15

The State received \$55,778 and \$87,294, respectively, of Taylor Grazing, Sections 3 and 15, monies from October 1, 2008 through September 30, 2009. During the period, the State disbursed \$55,778 and \$87,294 to the counties from current year's receipts of Taylor Grazing, Sections 3 and 15, respectively. The counties distributed these monies as prescribed by A.R.S. §§37-724 and 37-725, except for La Paz, Maricopa, Pima, Pinal, Santa Cruz, and Yavapai Counties. As of September 30, 2009, La Paz, Maricopa, Pima, and Pinal Counties had not disbursed \$2,653, \$6,576, \$191, and \$85, respectively, of the Taylor Grazing, Section 3, monies received since either the County did not have a range improvement district or the range improvement district did not request the monies. Yavapai County disbursed \$1,724 of Section 3 monies to its school districts instead of to the range improvement district. As of September 30, 2009, Maricopa, Pima, and Santa Cruz Counties had not disbursed \$310, \$10,030, and \$1,659, respectively, of the Taylor Grazing, Section 15, monies received. The Section 15 monies were retained by Maricopa County for the use by the County School Superintendent. The Section 15 monies retained by Pima and Santa Cruz Counties were undistributed.

Sale of Materials

The State received \$302,194, which was retained in the State's permanent land funds to be applied in accordance with their respective purposes.

Power Sales

Power sales revenue of \$2,357 from federal fiscal year 2008 was distributed to Gila County in October 2008. During the period October 1, 2008 through September 30, 2009, the State received \$3,624 of power sales revenue; however, the revenue was not distributed to Yavapai County until October 2009.

Refuge Revenue Sharing

Federal Wildlife Service Refuge Revenue Sharing receipts are paid directly to the counties. There are no statutes governing the counties' use of these receipts. The counties received \$71 from this program during the period October 1, 2008 through September 30, 2009.

Attachment to Notes to Statement
of Federal Land Payments—
Arizona Revised Statutes

State of Arizona
Attachment to Notes to Statement
of Federal Land Payments—Arizona Revised Statutes
October 1, 2008 through September 30, 2009

A.R.S. §11-497. Disbursement of forest reserve monies

The treasurer shall notify the clerk of the board of supervisors and the county school superintendent of the amount received from the state treasurer as the county share of pass through monies from the United States from forest reserves, as provided in §41-736, and thereafter the money shall be disbursed for the benefit of public schools and public roads of the county as the board of supervisors may direct.

A.R.S. §37-521. Permanent state school fund; composition; use

A. The permanent state school fund shall consist of:

1. The proceeds of all lands granted to the state by the United States for the support of common schools.
2. All property which accrues to the state by escheat or forfeiture.
3. All property donated for the benefit of the common schools, unless the terms of the donation otherwise provide.
4. All unclaimed shares and dividends of any corporation incorporated under the laws of this state.
5. The proceeds of sale of timber, mineral, gravel or other natural products or property from school lands and state lands other than those granted for specific purposes.
6. The residue of the lands granted for payment of the bonds and accrued interest issued by Maricopa, Pima, Yavapai and Coconino counties, after the purpose of the grant has been satisfied, and the 5 percent of the proceeds of sales of public lands lying within this state sold by the United States subsequent to admission of this state into the union, as granted by the enabling act.

A.R.S. §37-723. Distribution of money received from United States; appropriations to counties

A. All monies received by the state as its distributive shares of the amounts collected by the United States government under the provisions of the act of Congress of June 28, 1934 known as the Taylor grazing act, and acts amendatory thereof, shall be deposited with the state treasurer. The treasurer shall distribute the funds to the several counties of the state in which the public lands are located.

State of Arizona
Attachment to Notes to Statement
of Federal Land Payments—Arizona Revised Statutes
October 1, 2008 through September 30, 2009

A.R.S. §37-723. Distribution of money received from United States; appropriations to counties (Concl'd)

- B. The state treasurer shall ascertain from the proper United States officers having the records of receipts from grazing permits and leased public lands the amount of receipts from sources in this state for each year for which money is received by the state. A separate account shall be kept of the amount received from each grazing district and lease of public lands, and the state treasurer shall pay the county in which the grazing district or leased public land is located. If the grazing district or leased land lies in more than one county, each county shall receive the proportional part of the amount as the area of the grazing district or leased public land included within the boundary of the county bears to the total area of the grazing district or lease.
- C. For purposes of this section the monies deposited with the state treasurer as provided by subsection A are appropriated to the several counties of the state in the proportions in which the counties are entitled thereto, as shown by the records of the United States officers and transmitted to the state treasurer.

A.R.S. §37-724. Receipts from lease of public lands

All monies received from leases of public lands within any county shall be placed to the credit of the school district within the county in which the land lies. If the lands do not lie within a school district, the monies shall be placed to the credit of the general school fund of the county.

A.R.S. §37-725. Receipts from grazing district fees; district treasurer; duties

- A. All monies received from grazing fees of a grazing district regularly established and including public lands within the county shall be placed to the credit of a special fund designated the range improvement fund of the grazing district which shall be given a number.
- B. The county treasurer of the county in which such public lands are located shall be the exofficio district treasurer of any federal grazing district located wholly or in part within the county, and shall be liable upon his official bond for the proper care and distribution of the monies. He shall collect, receive, receipt and account for all monies from such source, and shall pay it upon the warrant of the grazing district signed by the chairman of the board of district advisors and countersigned by the vice-chairman thereof and the regional grazier in administrative charge of the district.

State of Arizona
Attachment to Notes to Statement
of Federal Land Payments—Arizona Revised Statutes
October 1, 2008 through September 30, 2009

A.R.S. §37-741. Public roads and public education fund; purposes; approval of expenditures by legislature; distribution

- A. There is created a special fund known as the state public roads and public education fund. There shall be deposited in the fund all monies received by the state as its distributive shares of the amounts collected by the United States government under the provisions of the act of Congress of February 25, 1920, chapter 85 (41 Stat. 437) and acts amendatory thereof, entitled, “an act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain.”
- B. No monies shall be expended from the fund created by subsection A of this section without prior approval therefore by an act of the legislature. The legislature may authorize expenditures from the fund for any of the following purposes:
 - 1. The construction and maintenance of public roads.
 - 2. The support of public schools or other public educational institutions.
- C. At the beginning of each fiscal year, one-half of the balance in the state public roads and public education fund shall be transferred to the state highway fund to be expended for secondary roads and one-half shall be transferred to the permanent state school fund and shall be administered as provided by §37-521.