COCONINO COUNTY, ARIZONA

ANNUAL EXPENDITURE LIMITATION REPORT

YEAR ENDED JUNE 30, 2025

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Coconino County
Annual Expenditure Limitation Report
Year ended June 30, 2025

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INDEPENDENT ACCOUNTANTS' REPORT

Auditor General of the State of Arizona, Members of the Arizona State Legislature, and
The Board of Supervisors of
Coconino County, Arizona
Flagstaff, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of Coconino County, Arizona (County) for the year ended June 30, 2025, and the related notes to the report. 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.

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 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Annual Expenditure Limitation Report of Coconino County, Arizona, referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1, in all material respects.

Emphasis of matter
As described in Note 14 of the report, the County restated its grants and aid from the federal government, amounts received from the State of Arizona, contracts with other political subdivisions, and refunds, reimbursements, and other recoveries carryforward balances as of June 30, 2024 to correct misstatements in previously issued Annual Budgeted Expenditure Limitation Reports. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tempe, Arizona
July 15, 2026

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Coconino County
Annual Expenditure Limitation Report - Part I
Year ended June 30, 2025

1.	Economic Estimates Commission expenditure limitation		$	81,076,639
2.	Amount subject to the expenditure limitation (total amount from Part II, line C)	$ 77,867,560		
3.	Amount under (in excess of) the expenditure limitation		$	3,209,079

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: Siri

Name and title: Siri Mullaney, Director of Finance

Telephone number: 928-679-7183

Date: July 15, 2026

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report - Part II
Year ended June 30, 2025

Description	Governmental funds	Internal service fund	Fiduciary funds	Total
A. Amounts reported on the Reconciliation, line D	$ 184,333,687	$ 5,713,709	$ 436,628,531	$ 626,675,927
B. Less exclusions claimed:				
1. Debt service requirements (Note 2)	33,838,057	-	-	33,838,057
2. Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	2,346,306	12,292	-	2,358,598
3. Trustee or custodian (Note 4)	1,078,186	-	436,628,531	437,706,717
4. Grants and aid from the federal government (Note 5)	11,962,208	-	-	11,962,208
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	281,490	-	-	281,490
6. Amounts received from the State of Arizona (Note 5)	14,997,311	-	-	14,997,311
7. Quasi-external interfund transactions (Note 7)	-	4,447,401	-	4,447,401
8. Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	10,611,350	-	-	10,611,350
9. Contracts with other political subdivisions (Note 5)	221,774	-	-	221,774
10. Refunds, reimbursements, and other recoveries (Note 8)	11,463	-	-	11,463
11. Amounts received for distribution to school districts (Note 9)	2,539,265	-	-	2,539,265
12. Prior years carryforward (Note 10)	28,578,717	1,254,016	-	29,832,733
13. Total exclusions claimed	106,466,127	5,713,709	436,628,531	548,808,367
C. Amounts subject to the expenditure limitation	$ 77,867,560	$ -	$ -	$ 77,867,560

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report - Reconciliation
Year ended June 30, 2025

Description	Governmental funds	Internal service fund	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	$ 275,197,535	$ 4,370,983	$ 436,628,531	$ 716,197,049
B. Subtractions:				
1. Items not requiring use of current financial resources:				
a. Depreciation and amortization	-	712,983	-	712,983
b. Pension and other postemployment benefits (OPEB) expense (Note 11)	-	44,457	-	44,457
2. Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 12)	96,518,753	-	-	96,518,753
3. Fees/reimbursements State law required the County to pay (Note 13)	971,612	-	-	971,612
4. Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	187,248	-	-	187,248
5. Total subtractions	97,677,613	757,440	-	98,435,053
C. Additions:				
1. Capital asset acquisitions	-	2,042,823	-	2,042,823
2. Pension and OPEB contributions paid in the current year (Note 11)	-	57,343	-	57,343
3. County transfers to separate legal entities (Note 12)	6,813,765	-	-	6,813,765
4. Total additions	6,813,765	2,100,166	-	8,913,931
D. Amounts reported on part II, line A	$ 184,333,687	$ 5,713,709	$ 436,628,531	$ 626,675,927

See accompanying notes to report.

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 - The exclusion claimed for debt service requirements of $33,838,057 consists of principal retirement and interest expenditures in the County Debt Services fund.

Note 3 - The $2,346,306 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds includes investment earnings expended and interest on delinquent taxes expended of $720,609, which was recorded as tax revenue. The $12,292 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the internal service fund includes investment earnings expended. Remaining unspent, excludable revenues of $9,482,797 in the governmental funds have been carried forward to future years.

Reconciliation of investment earnings	Governmental funds	Internal service fund
Financial statements		
Investment earnings as reported in the financial statements	$ 19,829,125	$ 54,574
Investment earnings recorded in Separate Legal Entities	(1,498,310)	-
Adjustments (subtract unrealized gains, add realized/unrealized losses)	(7,222,321)	(42,282)
Total excludable investment earnings	$ 11,108,494	$ 12,292
AELR−Part II		
Total excludable investment earnings from above	$ 11,108,494	$ 12,292
Interest on delinquent taxes recorded as tax revenue	720,609	-
Subtotal of allowable exclusion	11,829,103	12,292
Exclusion claimed	$ 2,346,306	$ 12,292
Carried forward to future years	$ 9,482,797	$ -

Note 4 - The $1,078,186 exclusion claimed for trustee or custodian in the Governmental Funds consists of $37,186 expended from the County Anti-Racketeering Fund, benefiting other jurisdictions, that were recorded as general government expenditures and $1,041,000 of contributions made to the Arizona Health Care Cost Containment System (AHCCCS). In the Fiduciary Funds, the exclusion consists of $2,909,881 in Private-purpose trust funds, $392,435,637 in distributions to investment pool participants and $41,283,013 in distributions for other governments, indivduals, or other custodial activity.

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, highway user revenues, and contracts with other political subdivsions in the Governmental Funds:

Description		
Grants and aid from the federal government	$	11,962,208
Amounts received from the State of Arizona		14,997,311
Highway user revenues in excess of those received in fiscal year 1979-80		10,611,350
Contracts with other political subdivisions		221,774
Nonexcludable revenues		95,507,543
Unspent, excludable revenues carried forward		8,703,932
Total intergovernmental revenues as reported in the fund financial statements	$	142,004,118

Note 6 - 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 $281,490 for contributions revenue expended. Remaining unspent, excludable revenues of $77,928 have been carried forward to future years. The remaining contributions revenue of $20,466 was nonexcludable.

Note 7 - The exclusion claimed for quasi-external interfund transactions in the amount of $4,447,401 in the Internal Service Fund consists of charges for services revenues expended.

Note 8 - The revenues from which the exclusion has been claimed for refunds, reimbursements, and other recoveries consist of charges for services of $189,287 and Fines and forefeits of $13,616. Of this amount, $11,463 was claimed as an exclusion and $191,440 has been carried forward to future years.

Note 9 - The $2,539,265 exclusion claimed for amounts received for distribution to school districts consists of Federal, State, and County revenues recorded as education expenditures for operating an accommodation school. Remaining unspent, excludable State revenues of $519,606 have been carried forward to future years.

Note 10 - 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		Governmental funds		Internal service fund
Bond proceeds	$	23,169,760	$	-
Dividends, interest, and gains on the sale or redemption of investment securities		2,081,649		-
Trustee or custodian		11,716		-
Grants and aid from the federal government		2,467,367		-
Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes		70,611		-
Amounts received from the State of Arizona		249,921		-
Quasi-external interfund transactions		-		1,254,016
Refunds, reimbursements, and other recoveries		527,693		-
Total prior years carryforward expended	$	28,578,717	$	1,254,016

Note 11 - The $44,457 subtraction for pension and other post employment benefit (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the internal service fund. The $57,343 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the internal service fund. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

	Internal service fund	
Statement of cash flows		
Change in deferred inflows related to pensions and OPEB	$ 8,474	
Change in deferred outflows related to pensions and OPEB	(5,425)	
Change in net pension and OPEB liability	(15,935)	
Total	$ (12,886)	Negative amounts represent a net addition and positive amounts represent a net subtraction on the AELR.
AELR–Reconciliation		
Pension/OPEB contributions – addition	$ 57,343	
Pension/OPEB expense(income) – subtraction	(44,457)	
Total	$ 12,886	Positive amounts increase expenses (net addition) and negative amounts reduce expenses (net subtraction) included on Part II.

Note 12 - The subtraction of $96,518,753 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:

Special assessment districts	
Public safety	$ 73,588,613
Health	16,097,836
Culture and recreation	6,562,822
Sanitation	11,690
Principal retirement	253,530
Interest and other charges	4,262
Total	$ 96,518,753

The $6,813,765 addition for county monies transferred to separate legal entities consists of the County's required maintenance of effort payment of $3,074,532 to the jail district and $3,739,233 to the public health district.

Note 13 - The subtraction of $971,612 for required fees/reimbursements State law required the County to pay that are excluded from the County expenditure limitation and consists of payments to reimburse the State for the cost of inpatient competency restoration treatment, as required by A.R.S. §13-4512, which were recorded as general government expenditures.

Note 14 - Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. The County's revenue to expenditure flow assumptions in funds with more than one funding source (local and nonlocal) is that local monies are being used prior to non-local. The County restated some of the June 30, 2024 carryforward balances due to errors noted in prior years. Specifically, amounts received from the State of Arizona ($447,262) were overstated in fiscal years 2023 and 2024 for amounts that were incorrectly recognized as revenues before they were earned. The beginning carryforward was adjusted accordingly and revenues will be recognized in future periods when earned. Further, revenue balances were misclassified in 2024 as constitutionally excludable. Beginning carryforward for grants and aid from federal government ($10,916), Contracts with other political subdivisions ($17,914) and Refunds, reimbursements, and other recoveries ($2,728) were adjusted to non-excludable as a result. The restatements did not impact the total amount subject to the expenditure limitation or the amount under the expenditure limitation for the current or prior fiscal years. A summary of the revenue sources and the changes in their balances is shown in the table below:

Description	Balance June 30, 2024 (As previously stated)	Carryforward Adjustment	Balance June 30, 2024 (as restated)	Carryforward added	Carryforward used	Balance June 30, 2025
Debt proceeds	$ 75,479,760	$ -	$ 75,479,760	$ -	$ 23,169,760	$ 52,310,000
Dividends, interest, and gains on the sale or redemption of investment securities	41,761,042	-	41,761,042	9,482,797	2,081,649	49,162,190
Trustee or Custodian	325,860	-	325,860	-	11,716	314,144
Grants and aid from the federal government	17,302,394	(10,916)	17,291,478	3,846,043	2,467,367	18,670,154
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	622,312	-	622,312	77,928	70,611	629,629
Amounts received from the State of Arizona	7,738,797	(447,262)	7,291,535	1,777,711	249,921	8,819,325
Quasi-external interfund transactions	1,693,446	-	1,693,446	-	1,254,016	439,430
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	3,964,222	-	3,964,222	-	-	3,964,222
Highway user revenues in excess of those received in fiscal year 1979-80	17,868,843	-	17,868,843	1,216,648	-	19,085,491
Contracts with other political subdivisions	6,576,681	(17,914)	6,558,767	1,863,530	-	8,422,297
Refunds, reimbursements, and other recoveries	1,307,280	(2,728)	1,304,552	191,440	527,693	968,299
Amounts received for distribution to school districts	2,779,616	-	2,779,616	519,606	-	3,299,222
Total carryforward	$ 177,420,253	$ (478,820)	$ 176,941,433	$ 18,975,703	$ 29,832,733	$ 166,084,403