

**APACHE COUNTY**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2007**

**APACHE COUNTY**  
**Annual Expenditure Limitation Report**  
**Year Ended June 30, 2007**

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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of  
Apache County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Apache County (the County) for the year ended June 30, 2007. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Apache County, Arizona, for the year ended June 30, 2007, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with 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.

*Fester & Chapman P.C.*

December 7, 2009

**APACHE COUNTY**  
**Annual Expenditure Limitation Report – Part I**  
**Year Ended June 30, 2007**

1. Economic Estimates Commission expenditure limitation	<b>\$ 14,125,499</b>
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>14,125,499</u>
4. 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: Ryan Patterson, Finance Director

Telephone Number: (928) 337-4364 Date: 12/7/09

See accompanying notes to report.

**APACHE COUNTY**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2007**

<u>Description</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 37,121,218	\$ 184,082,607	\$ 221,203,825
B. Less exclusions claimed:			
Bond proceeds (Note 2)	83,036		83,036
Debt service requirements on bonded indebtedness (Note 3)	2,176,074		2,176,074
Proceeds from other long-term obligations (Note 4)	694,801		694,801
Debt service requirements on other long-term obligations (Note 3)	30,445		30,445
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	207,529		207,529
Trustee or custodian (Note 6)	602,020	184,082,607	184,684,627
Grants and aid from the federal government (Note 7)	2,995,081		2,995,081
Amounts received from the State of Arizona (Note 7)	5,839,551		5,839,551
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	4,610,260		4,610,260
Contracts with other political subdivisions (Note 7)	533,599		533,599
Prior years carryforward (Note 8)	5,223,323		5,223,323
Total exclusions claimed	<u>22,995,719</u>	<u>184,082,607</u>	<u>207,078,326</u>
C. Amounts subject to the expenditure limitation	<u>\$ 14,125,499</u>	<u>\$ -</u>	<u>\$ 14,125,499</u>

See accompanying notes to report.

**APACHE COUNTY**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2007**

<u>Description</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/deductions reported within the fund financial statements	\$ 42,586,061	\$ 184,082,607	\$ 226,668,668
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 9)	4,009,066		4,009,066
Contributions to fire districts (Note 10)	317,456		317,456
Community college reimbursement payments pursuant to A.R.S. §15-1469.01 (Note 11)	562,721		562,721
Long-term care contributions withheld by the State Treasurer (Note 12)	575,600		575,600
Total subtractions	<u>5,464,843</u>		<u>5,464,843</u>
C. Amounts reported on Part II, Line A	<u>\$ 37,121,218</u>	<u>\$ 184,082,607</u>	<u>\$ 221,203,825</u>

See accompanying notes to report.

**APACHE COUNTY**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2007**

**Note 1 - Summary of Significant Accounting Policies**

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, which 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 requirements, 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 and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

**Note 2 -** The exclusion claimed for bond proceeds consists of capital outlay expenditures of \$83,036 reported in the Governmental Funds.

**Note 3 -** The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense of \$2,176,074. The exclusion claimed for debt service requirements on other long-term indebtedness in the Governmental Funds consists of principal retirement and interest expense on capital leases of \$30,445.

**Note 4 -** The exclusion claimed for proceeds from other long-term obligations consists of \$694,801 in the governmental funds consists of the proceeds from a bond anticipation note expended.

**Note 5 -** The exclusion claimed dividends, interest, and gains on the sale or redemption of investment securities of \$207,529 in the Governmental Funds includes interest on investments expended of \$598,150 and interest on delinquent taxes expended of \$507,435, which was reported as property tax revenues. Included in these amounts, \$30,081 is attributed to separate legal entities that are not included in the Economic Estimates Commission base limit calculations, and therefore is not reported as an exclusion. Revenues from interest on investments of \$867,975 have been carried forward to future years.

**APACHE COUNTY**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2007**

**Note 6 -** The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$439,551 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, administrative cost contributions, and uncompensated care, \$1,050 of commissary proceeds and expenditures for the Sheriff's Canteen, and \$80,599 for waste tire special revenues paid out to Blue Hills Environmental Association.

Additionally, in the Governmental Funds, \$80,820 of State Lake Improvement Funds, from Arizona State Parks, was passed to the National Forest Service for Bunch Reservoir (\$14,584), Tunnel Reservoir (\$24,955), and River Reservoir (\$41,281) for culture and recreation purposes. In the Fiduciary Funds, the exclusion consists of \$184,082,607 in distributions to investment pool participants.

**Note 7-** 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, contracts with other political subdivisions, and amounts received as trustee or custodian in the Governmental Funds:

Grants and aid from the federal government	\$ 2,995,081
Amounts received from the State of Arizona	5,839,551
Highway user revenue in excess of those received in fiscal year 1979-80	4,610,260
Contracts with other political subdivisions	533,599
Trustee or custodian (Note 6)	161,419
Other revenues – (nonexcludable)	5,795,394
Amount carried forward	<u>3,606,267</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$23,541,571</u>

**APACHE COUNTY**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2007**

**Note 8 -** 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:

<u>Description</u>	<u>Governmental Funds</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 1,385,200
Trustee or custodian	71,804
Grants and aid from the federal government	374,908
Amounts received from the State of Arizona	383,271
Highway user revenues in excess of those received in fiscal year 1979-80	2,985,160
Contracts with other political subdivisions	16,365
Contributions	<u>6,615</u>
Total prior years carryforward expended	<u>\$ 5,223,323</u>

**Note 9 -** The subtraction of \$4,009,066 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, which are reported in the Governmental Funds category in the fund financial statements:

Public safety	\$ 2,516,825
Highways and streets	300,000
Culture and recreation	870,863
Capital outlay	<u>321,378</u>
Total	<u>\$ 4,009,066</u>

**Note 10 -** The subtraction of \$317,456 for contributions to fire districts consists of payments that are not subject to the expenditure limitation. These expenditures were reported in public safety expenditures in the Governmental Funds category in the fund financial statements.

**APACHE COUNTY**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2007**

**Note 11-** The subtraction of \$562,721 for community college reimbursement payments pursuant to A.R.S. §15-1469.01 consists of payments that are not subject to the expenditure limitation. These expenditures were recorded as education expenditures in the Governmental Funds category in the fund financial statements.

**Note 12 -** The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as revenue and offsetting expenditures in the County's fund financial statements. Consequently, this expenditure has been subtracted on the Reconciliation.