

COCONINO COUNTY
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2008

Coconino County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2008

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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Coconino County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Coconino County for the year ended June 30, 2008. 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 Coconino County for the year ended June 30, 2008, 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, the Board of Supervisors, and management, 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.

April 29, 2009

COCONINO COUNTY
Annual Expenditure Limitation Report-Part I
Year Ended June 30, 2008

| | |
|---|--------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ 49,205,337 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | <u>49,205,337</u> |
| 3. Amount under the expenditure limitation | <u><u>\$ -</u></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: Sandra Schulz, Finance Director/CFO

Telephone Number: 928-679-7180 Date: 4/30/09

COCONINO COUNTY
Annual Expenditure Limitation Report-Part II
Year Ended June 30, 2008

| Description | Governmental Funds | Internal Service Fund | Fiduciary Funds | Total |
|--|-----------------------|-----------------------------|--------------------|----------------------|
| A. Amounts reported on the Reconciliation, Line D | \$ 112,688,318 | \$ 3,829,047 | \$ 337,292,086 | \$ 453,809,451 |
| B. Less exclusions claimed: | | | | |
| Debt service requirements on other long-term obligations (Note 2) | 17,012,030 | | | 17,012,030 |
| Dividends, interest, and gains on the sale or redemption of investment securities (Note 3) | 2,428,066 | | | 2,428,066 |
| Trustee or custodian (Note 4) | 1,629,925 | | 337,292,086 | 338,922,011 |
| Grants and aid from the federal government (Note 5) | 11,804,733 | | | 11,804,733 |
| Grants, aid, contributions, or gifts, from a private agency, organization, or individual except amounts received in lieu of taxes (Note 6) | 301,381 | | | 301,381 |
| Amounts received from the State of Arizona (Note 5) | 12,788,636 | | | 12,788,636 |
| Quasi-external interfund transactions (Note 7) | | 3,492,112 | | 3,492,112 |
| Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8) | 1,875,728 | | | 1,875,728 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5) | 8,451,552 | | | 8,451,552 |
| Contracts with other political subdivisions (Note 9) | 1,146,457 | | | 1,146,457 |
| Refunds, reimbursements, and other recoveries (Note 10) | 74,279 | | | 74,279 |
| Amounts received for distribution to school districts (Note 11) | 1,784,652 | | | 1,784,652 |
| Prior years carryforward (Note 12) | 4,522,477 | | | 4,522,477 |
| Total exclusions claimed | <u>63,819,916</u> | <u>3,492,112</u> | <u>337,292,086</u> | <u>404,604,114</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 48,868,402</u> | <u>\$ 336,935</u> | <u>\$ -</u> | <u>\$ 49,205,337</u> |

See accompanying notes to report.

COCONINO COUNTY
Annual Expenditure Limitation Report-Reconciliation
Year Ended June 30, 2008

| 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 | \$ 135,690,144 | \$ 3,633,202 | \$ 337,292,086 | \$ 476,615,432 |
| B. Subtractions: | | | | |
| Items not requiring the use of working capital: | | | | |
| Depreciation | | 529,955 | | 529,955 |
| Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 13) | 21,120,012 | | | 21,120,012 |
| Long-term care contributions withheld by the State Treasurer (Note 14) | 1,783,800 | | | 1,783,800 |
| Involuntary court judgements (Note 15) | 98,014 | | | 98,014 |
| Total subtractions | <u>23,001,826</u> | <u>529,955</u> | | <u>23,531,781</u> |
| C: Additions | | | | |
| Acquisition of capital assets | | 725,800 | | 725,800 |
| Total additions | <u>-</u> | <u>725,800</u> | <u>-</u> | <u>725,800</u> |
| D: Amounts reported on Part II, Line A | <u>\$ 112,688,318</u> | <u>\$ 3,829,047</u> | <u>\$ 337,292,086</u> | <u>\$ 453,809,451</u> |

See accompanying notes to report.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

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 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 Assets for the Proprietary Fund; Statement of Cash Flows for the Proprietary Fund; and the Statement of Fiduciary Net Assets for the Fiduciary Funds.

Note 2 The exclusion for debt service requirements on other long-term obligations of \$17,012,030 in the Governmental Funds consists of principal retirement and interest payments for certificates of participation. The additional expenditures for debt service of \$2,969,440 reported in the Governmental Funds were made for separate legal entities.

Note 3 The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities consists of \$2,428,066 in the Governmental Funds. The Governmental Funds includes interest on investments expended of \$3,426,238 and interest on delinquent taxes expended of \$537,432, which was recorded as tax revenues. Included in the Governmental Funds amount, \$445,308 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. Remaining revenues from the Governmental Funds of \$1,090,296 and from the Internal Service Fund of \$91,921 have been carried forward to future years. The following schedule presents revenues from which exclusions have been claimed for dividends, interest, and gains on sale or redemption of investment securities:

| Description | Governmental Funds | Internal Service Fund |
|--|-----------------------|--------------------------|
| Investment earnings | \$ 3,426,238 | \$ 91,921 |
| Interest on delinquent taxes | 537,432 | |
| Interest attributed to separate legal entities | (445,308) | |
| Amount carried forward | (1,090,296) | (91,921) |
| Amount excluded | <u>\$ 2,428,066</u> | <u>\$ -</u> |

Note 4 The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$742,899 in contributions and \$323,200 in additional contributions by the County to the Arizona Health Care Cost Containment System for acute care, and \$563,826 for expenditures from the County Anti-Racketeering Fund, benefiting other jurisdictions, that were recorded as public safety expenditures. In the Fiduciary Funds, the exclusion consists of \$337,292,086 in distributions to investment pool participants. The remaining excludable Anti-Racketeering Fund revenues of \$407,532 have been carried forward to future years.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

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 | \$ 11,804,733 |
| Amounts received from the State of Arizona | 12,788,636 |
| Highway user revenue in excess of those received in fiscal year 1979-80 | 8,451,552 |
| Other revenues-(nonexcludable) | 19,401,518 |
| Amount carried forward | <u>361,498</u> |
| Total intergovernmental revenues as reported in the fund financial statements | <u>\$ 52,807,937</u> |

Note 6 The exclusions claimed for grants, aid and contributions from a private agency, organization or individual except amounts received in lieu of taxes in the Governmental Funds consists of \$301,381 for contributions revenue expended. Remaining excludable revenues of \$101,453 have been carried forward to future years. There were \$235,839 of nonexcludable revenues reported as contributions.

Note 7 The exclusion claimed for quasi-external interfund transactions in the amount of \$3,492,112 in the Internal Service Fund is reported as charges for services revenues expended.

Note 8 The exclusion for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$1,875,728 consists of other taxes collected from special sales tax monies approved November 5, 1992 by the voters to be spent for parks and open space projects that were expended during the fiscal year. Remaining excludable amounts of \$400,065 have been carried forward to future years.

Note 9 The exclusion claimed for contracts with other political subdivisions of \$1,146,457 in the Governmental Funds consists of charges for services revenues expended for general government, public safety, sanitation, and welfare.

Note 10 The exclusion for refunds, reimbursements and recoveries of \$74,279 in the Governmental Funds consists of charges for services expended. Remaining excludable revenues of \$210,370 have been carried forward to future years.

Note 11 The exclusion for amounts received for distribution to school districts consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

Note 12 Prior years carryforward consist of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year in the Governmental Funds as follows:

| Description | Governmental Funds |
|--|-----------------------|
| Dividends, interest, and gains on the sale or redemption of investment securities | \$ 40,472 |
| Grants and aid from federal government | 1,502,799 |
| Amounts received from the State of Arizona | 2,895,218 |
| Grants, aid, contributions, or gifts from a private agency, organization or individual | 23,140 |
| Contracts with other political subdivisions | 60,848 |
| Total prior years carryforward expended | \$ 4,522,477 |

Note 13 The subtraction of \$21,120,012 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 | \$ 12,519,140 |
| Sanitation | 1,153,171 |
| Culture and recreation | 3,823,411 |
| Highways and streets | 654,850 |
| Principal retirement | 2,365,471 |
| Interest and fiscal charges | 603,969 |
| Total | \$ 21,120,012 |

Note 14 The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 15 The subtraction of \$98,014 for involuntary court judgments represents the amount reported in the Governmental Funds paid for a judgment against Coconino County and in favor of Qwest and Delaware North Parks Service. The judgment included the refund of prior years property taxes, interest on the refunded taxes and reasonable attorney fees. The expenditures were recorded in general government, public safety and culture and recreation. Additional expenditures of \$32,228 were made for separate legal entities and are included in the subtraction for expenditures of separate legal entities.