



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Coconino County

Year Ended June 30, 2004



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

Coconino County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2004

Table of Contents	Page
Independent Auditors' Report	1
Annual Expenditure Limitation Report—Part I	2
Annual Expenditure Limitation Report—Part II	3
Annual Expenditure Limitation Report—Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

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, 2004. 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, 2004, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

November 10, 2005

Coconino County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2004

1. Economic Estimates Commission expenditure limitation	\$42,211,753
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>42,211,752</u>
3. Amount under the expenditure limitation	<u>\$ 1</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: Michael F. Townsend, Director of Finance

Telephone Number: (928) 779-6895 Date: November 10, 2005

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2004

Description	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 82,731,033	\$ 2,720,100	\$ 281,240,983	\$ 366,692,116
B. Less exclusions claimed:				
Proceeds from other long-term obligations (Note 2)	1,882,648			1,882,648
Debt service requirements on other long-term obligations (Note 3)	2,868,909			2,868,909
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	364,778			364,778
Trustee or custodian (Note 5)	1,010,254		281,240,983	282,251,237
Grants and aid from the federal government (Note 6)	12,156,343			12,156,343
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	256,200			256,200
Amounts received from the State of Arizona (Note 6)	7,763,156			7,763,156
Quasi-external interfund transactions (Note 8)		2,720,100		2,720,100
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	6,745,537			6,745,537
Contracts with other political subdivisions (Note 9)	3,073,298			3,073,298
Refunds, reimbursements, and other recoveries (Note 10)	64,247			64,247
Prior years carryforward (Note 11)	<u>4,333,911</u>			<u>4,333,911</u>
Total exclusions claimed	<u>40,519,281</u>	<u>2,720,100</u>	<u>281,240,983</u>	<u>324,480,364</u>
C. Amounts subject to the expenditure limitation	<u>\$ 42,211,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,211,752</u>

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2004

Description	<u>Governmental Funds</u>	<u>Internal Service Funds</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	\$ 97,501,790	\$ 2,677,559	\$ 281,240,983	\$ 381,420,332
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		509,470		509,470
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 12)	13,539,452			13,539,452
Long-term care contributions withheld by the State Treasurer (Note 13)	<u>1,231,305</u>			<u>1,231,305</u>
Total subtractions	<u>14,770,757</u>	<u>509,470</u>		<u>15,280,227</u>
C. Additions:				
Acquisition of capital assets		552,011		552,011
Total additions		<u>552,011</u>		<u>552,011</u>
D. Amounts reported on Part II, Line A	<u>\$ 82,731,033</u>	<u>\$ 2,720,100</u>	<u>\$ 281,240,983</u>	<u>\$ 366,692,116</u>

See accompanying notes to report.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

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, Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusion claimed for proceeds from other long-term obligations of \$1,882,648 in the Governmental Funds consists of proceeds from certificates of participation expended.

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations of \$2,868,909 was to satisfy principal and interest payments for certificates of participation.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$364,778 in the Governmental Funds includes interest on investments expended of \$241,103 and interest on delinquent taxes expended of \$616,532, which were reported as tax revenue. Included in these amounts, \$95,268 is attributed to separate legal entities that are not included in the Economic Estimate Commission base limit calculations, and therefore is not reported as an exclusion. The remaining revenues from interest on investments of \$397,589 have been carried forward to future years.

Description	
Investment income	\$ 241,103
Delinquent taxes	616,532
Interest attributed to separate legal entities	(95,268)
Amount carried forward	<u>(397,589)</u>
Amount excluded	<u>\$ 364,778</u>

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$743,311 in contributions by the County to the Arizona Health Care Cost Containment System for acute care and \$266,943 for expenditures from the County Anti-Racketeering Fund, benefiting other jurisdictions, that were recorded as public safety expenditures. The Fiduciary Funds exclusion consists of \$281,240,983 in distributions to investment pool participants.

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Note 6 - 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	\$12,156,343
Amounts received from the State of Arizona	7,763,156
Highway user revenues in excess of those received in fiscal year 1979-80	6,745,537
Other revenues—(nonexcludable)	19,060,417
Amount carried forward	<u>2,218,799</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$47,944,252</u>

Note 7 - 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, consist of \$256,200 reported as contributions. Excludable contributions of \$19,767 were unexpended and carried forward to future years.

Note 8 - The exclusion claimed for quasi-external interfund transactions in the amount of \$2,720,100 in the Internal Service Funds is reported as charges for services revenues. Excludable transactions of \$57,630 were unexpended and carried forward to future years.

Note 9 - The exclusion claimed for contracts with other political subdivisions of \$3,073,298 in the Governmental Funds represents the portion of charges for services expended for general government, public safety, sanitation, welfare, and transportation. Excludable contract revenue of \$442,194 was carried forward to future years.

Note 10 - The exclusion for refunds, reimbursements, and other recoveries of \$64,247 in the Governmental Funds was reported as charges for services revenues.

Note 11 - Prior year carryforward consists 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	
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 2,881
Trustee or custodian	10,053
Grants and aid from the federal government	4,172,909
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	37,140
Amounts received from the State of Arizona	<u>110,928</u>
Total prior years carry forward expended	<u>\$4,333,911</u>

Coconino County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Note 12 - The subtraction of \$13,539,452 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:

Separate Legal Entities	
Public safety	\$ 8,907,775
Highways and streets	1,030,975
Sanitation	1,073,504
Culture and recreation	2,308,701
Principal	153,741
Interest and other charges	<u>64,756</u>
Total	<u>\$13,539,452</u>

Note 13 - 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 a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.