

Coconino County

Annual Expenditure
Limitation Report

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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Audit Staff

Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division

Taryn Stangle, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of Coconino County for the year ended June 30, 2023, 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.

We conducted our examination 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 related to the engagement.

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

June 25, 2024

Coconino County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2023

1. Economic Estimates Commission expenditure limitation	\$71,583,640
2. Total adjusted amount subject to the expenditure limitation	<u>71,410,532</u>
3. Amount under the expenditure limitation	<u>\$ 173,108</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: Siri Mullaney, CFO

Telephone number: (928) 679-7180 Date: June 25, 2024

See accompanying notes to report.

Coconino County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2023

Description	Governmental funds	Internal service fund	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 135,424,601	\$ 4,672,636	\$ 332,368,112	\$ 472,465,349
B. Less exclusions claimed:				
Debt proceeds (Note 3)	6,626,308			6,626,308
Debt service requirements (Note 2)	5,072,420			5,072,420
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	4,484	10,686		15,170
Trustee or custodian (Note 5)	1,081,378		332,368,112	333,449,490
Grants and aid from the federal government (Note 6)	20,762,973			20,762,973
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	219,499			219,499
Amounts received from the State of Arizona (Note 6)	12,402,920			12,402,920
Quasi-external interfund transactions (Note 8)		4,417,503		4,417,503
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	2,643,944			2,643,944
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	9,134,612			9,134,612
Contracts with other political subdivisions (Note 6)	11,470			11,470
Refunds, reimbursements, and other recoveries (Note 10)	44,826			44,826
Amounts received for distribution to school districts (Note 11)	2,637,683			2,637,683
Prior years carryforward (Note 12)	<u>3,371,552</u>	<u>244,447</u>		<u>3,615,999</u>
Total exclusions claimed	<u>64,014,069</u>	<u>4,672,636</u>	<u>332,368,112</u>	<u>401,054,817</u>
C. Amounts subject to the expenditure limitation	<u>\$ 71,410,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,410,532</u>

See accompanying notes to report.

Coconino County

Annual Expenditure Limitation Report—Reconciliation

Year ended June 30, 2023

Description	<u>Governmental funds</u>	<u>Internal service fund</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	\$ 215,541,602	\$ 4,350,405	\$ 332,368,112	\$552,260,119
B. Subtractions:				
Items not requiring use of current financial resources:				
Depreciation		483,132		483,132
Pension and other postemployment benefits (OPEB) expense (Note 13)		56,517		56,517
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 14)	85,635,336			85,635,336
Fees/reimbursements State law required the County to pay (Note 15)	1,141,148			1,141,148
Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	<u>45,991</u>			<u>45,991</u>
Total subtractions	<u>86,822,475</u>	<u>539,649</u>		<u>87,362,124</u>
C. Additions:				
Capital asset acquisitions		792,582		792,582
Pension and OPEB contributions paid in the current year (Note 13)		69,298		69,298
County transfers to separate legal entities (Note 14)	<u>6,705,474</u>			<u>6,705,474</u>
Total additions	<u>6,705,474</u>	<u>861,880</u>		<u>7,567,354</u>
D. Amounts reported on part II, line A	<u>\$ 135,424,601</u>	<u>\$ 4,672,636</u>	<u>\$ 332,368,112</u>	<u>\$ 472,465,349</u>

See accompanying notes to report.

Coconino County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2023

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 consists of principal retirement and interest expenditures in the County Debt Services Fund.

Note 3

The \$6,626,308 exclusion claimed for debt proceeds in the governmental funds consists of \$860,000 of expenditures made from pledged revenue obligations and \$5,766,308 made from private placement pledged revenue obligation proceeds. Remaining unspent, excludable revenues of \$52,310,000 of pledged revenue obligations and \$74,233,692 of private placement pledged revenue obligations have been carried forward to future years.

Note 4

Of the combined \$6,406,471 reported as investment earnings on the statement of revenues, expenditures, and changes in fund balance in the governmental funds, \$4,484 was revenue received and expended and claimed as an exclusion for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds, and \$47,301 was included in the exclusions for amounts received for distribution to school districts. Remaining unspent, excludable revenues of \$6,099,275 and interest on delinquent taxes of \$766,943, that was recorded as tax revenue, have been carried forward to future years. The remaining \$255,411 of reported investment earnings was nonexcludable. The \$10,686 reported as interest income on the statement of revenues, expenses, and changes in net position in the internal service fund was revenue received and expended and claimed as an exclusion for dividends, interest, and gains on the sale or redemption of investment securities.

Coconino County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

Note 5

The \$1,081,378 exclusion claimed for trustee or custodian in the Governmental Funds consists of \$77,478 expended from the County Anti-Racketeering Fund, benefiting other jurisdictions, that were recorded as general government expenditures and \$1,003,900 of contributions made to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs. In the Fiduciary Funds, the exclusion consists of \$2,633,559 in distributions for private-purpose trust funds, \$294,021,402 in distributions to investment pool participants, and \$35,713,151 in distributions for other governments, individuals, or other custodial activity.

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, highway user revenues, and contracts with other political subdivisions in the governmental funds:

Description	
Grants and aid from the federal government	\$ 20,762,973
Amounts received from the State of Arizona	12,402,920
Highway user revenues in excess of those received in fiscal year 1979-80	9,134,612
Contracts with other political subdivisions	11,470
Nonexcludable revenues	65,413,438
Unspent, excludable revenues carried forward	<u>9,922,650</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$117,648,063</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, consists of \$219,499 for contributions revenue expended. Remaining unspent, excludable revenues of \$21,357 have been carried forward to future years and the contributions revenue of \$49,573 was nonexcludable.

Note 8

The exclusion claimed for quasi-external interfund transactions in the amount of \$4,417,503 in the Internal Service Fund consists of charges for services revenues expended.

Note 9

The exclusion claimed for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$2,643,944 consists of county sales taxes that were related to special sales tax monies voters approved November 4, 2014, to be spent for improvement projects that were expended during the fiscal year.

Coconino County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2023

Note 10

The revenues from which the exclusion has been claimed for refunds, reimbursements, and other recoveries consist of charges for services of \$85,078, and fees, fine, and forfeits of \$106,408. Of this amount, \$44,826 was claimed as an exclusion and remaining, unspent revenues of \$146,660 has been carried forward to future years.

Note 11

The \$2,637,683 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 \$28,725 have been carried forward to future years.

Note 12

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
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 1,101	
Trustee or custodian	6,337	
Grants and aid from the federal government	309,675	
Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	6,469	
Amounts received from the State of Arizona	77,771	
Quasi-external interfund transactions		\$244,447
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	2,811,021	
Contracts with other political subdivisions	137,981	
Refunds, reimbursements, and other recoveries	21,197	
Total prior years carryforward expended	<u>\$3,371,552</u>	<u>\$244,447</u>

Note 13

The \$(56,517) 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 \$69,298 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.

Coconino County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

<u>Statement of cash flows</u>	Internal service fund
Change in deferred inflows related to pensions and OPEB	\$(437,292)
Change in deferred outflows related to pensions and OPEB	133,627
Change in net pension and OPEB liability	<u>290,884</u>
Total	<u>\$ (12,781)</u>
<u>AELR-Reconciliation</u>	
Pension/OPEB contributions – addition	\$ 69,298
Pension/OPEB expense (income) - subtraction	<u>(56,517)</u>
Total	<u>\$ 12,781</u>

Note 14

The \$85,635,336 subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations included within the County’s reporting entity, but not included in the Economic Estimates Commission base limit calculations that are reported in the governmental funds:

Special assessment districts	
Public safety	\$60,953,276
Health	19,079,628
Culture and recreation	5,300,726
Sanitation	<u>301,706</u>
Total	<u>\$85,635,336</u>

The \$6,705,474 addition for county monies transferred to separate legal entities consists of the County's required maintenance of effort payment of \$2,864,467 to the jail district and \$3,739,233 to the public health district and \$101,774 transferred to the County Improvement Districts- Debt Service Fund.

Note 15

The subtraction of \$1,141,148 for required fees/reimbursements State law required the County to pay that are excluded from the county expenditure limitation 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.

Coconino County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2023

Note 16

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. Reductions in carryforward for Dividends, interest, and gains on the sale or redemption of investment securities, included \$123,350 of amounts that were no longer available for exclusion by the County. A summary of the accumulated revenue sources and their balances is shown in the table below:

Description	Balance June 30, 2022	Carryforward added	Carryforward used	Balance June 30, 2023
Debt proceeds		\$126,543,692		\$126,543,692
Dividends, interest, and gains on the sale or redemption of investment securities	\$21,838,083	6,866,218	\$ 124,451	28,579,850
Trustee or custodian	407,992		6,337	401,655
Grants and aid from the federal government	9,663,581	3,563,900	309,675	12,917,806
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	555,523	21,357	6,469	570,411
Amounts received from the State of Arizona	3,799,398	2,012,648	77,771	5,734,275
Quasi-external interfund transactions	1,967,796		244,447	1,723,349
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	6,775,243		2,811,021	3,964,222
Highway user revenues in excess of those received in fiscal year 1979-80	11,880,289	1,719,439		13,599,728
Contracts with other political subdivisions	2,728,800	2,626,663	137,981	5,217,482
Refunds, reimbursements, and other recoveries	1,117,043	146,660	21,197	1,242,506
Amounts received for distribution to school districts	<u>1,833,560</u>	<u>28,725</u>		<u>1,862,285</u>
Total carryforward	<u>\$62,567,308</u>	<u>\$143,529,302</u>	<u>\$3,739,349</u>	<u>\$202,357,261</u>

