

Gila County, Arizona

**Report on Audit of Annual
Expenditure Limitation Report**

Year Ended June 30, 2002

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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Gila County for the year ended June 30, 2002. 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 Gila County for the year ended June 30, 2002, 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.

Walker & Armstrong LLP

Phoenix, Arizona
July 25, 2003

Gila County
Annual Expenditure Limitation Report - Part I
Year ended June 30, 2002

1. Economic Estimates Commission expenditure limitation	\$ 29,664,977
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>22,396,747</u>
3. Amount under the expenditure limitation	<u>\$ 7,268,230</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: David Patterson, Finance Director

Telephone Number: (928) 425-3231 Date: July 25, 2003

See accompanying notes to report.

Gila County
Annual Expenditure Limitation Report - Part II
Year ended June 30, 2002

Description	General Fund	Special Revenue Funds	Debt Service Funds	Total
A. Amounts reported on the reconciliation, Line C.	\$ 24,885,758	\$ 19,525,669	\$ 332,560	\$ 44,743,987
B. Less exclusions claimed:				
1. Debt service requirements on other long term obligations (Note 2)	1,679,145	386,763	332,560	2,398,468
2. Dividends, interest and gains on the sale or redemption of investment securities (Note 3)	529,838	222,086	-	751,924
3. Trustee or custodian (Note 4)	4,240,458	-	-	4,240,458
4. Grants and aid from the federal government (Note 5)	3,072,611	5,252,628	-	8,325,239
5. Amount received from the state (Note 5)	682,167	3,301,506	-	3,983,673
6. Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	<u>-</u>	<u>2,647,478</u>	<u>-</u>	<u>2,647,478</u>
Total exclusions claimed	<u>10,204,219</u>	<u>11,810,461</u>	<u>332,560</u>	<u>22,347,240</u>
C. Amounts subject to the expenditure limitation.	<u>\$ 14,681,539</u>	<u>\$ 7,715,208</u>	<u>\$ -</u>	<u>\$ 22,396,747</u>

See accompanying notes to report.

Gila County
Annual Expenditure Limitation Report - Reconciliation
Year ended June 30, 2002

Description	General Fund	Special Revenue Funds	Debt Service Funds	Total
A. Total expenditures or expenses and applicable other financing uses reported within the general purpose financial statements	\$ 28,779,851	\$ 19,525,669	\$ 332,560	\$ 48,638,080
B. Deductions:				
1. Community college reimbursement payments pursuant to A.R.S. §15-1469.01	1,066,786	-	-	1,066,786
2. Long-term care contributions withheld by the State Treasurer (Note 6)	<u>2,827,307</u>	<u>-</u>	<u>-</u>	<u>2,827,307</u>
3. Total deductions	<u>3,894,093</u>	<u>-</u>	<u>-</u>	<u>3,894,093</u>
C. Amounts reported on Part II, Line A	<u>\$ 24,885,758</u>	<u>\$ 19,525,669</u>	<u>\$ 332,560</u>	<u>\$ 44,743,987</u>

See accompanying notes to report.

Gila County
Notes to Annual Expenditure Limitation Report-Continued
Year ended June 30, 2002

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 or expenses of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures or expenses reported in the annual general purpose 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 deduction or addition in the Reconciliation that cannot be traced directly to an amount reported in the annual general purpose financial statements. All references to financial statement amounts in the following notes refer to the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types for the General, Special Revenue and Debt Service Funds.

Note 2

The exclusion claimed for debt service requirements on other long-term obligations consists of principal retirement and interest expense on capital lease agreements, which are reported in the general purpose financial statements, as follows:

<u>Debt Service Expenditures</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
Principal	\$ 1,507,329	\$ 344,800	\$ 150,000
Interest	171,816	41,963	182,560
Total	<u>\$ 1,679,145</u>	<u>\$ 386,763</u>	<u>\$ 332,560</u>

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$529,838 in the General Fund includes interest on investments expended of \$253,295 and interest on delinquent taxes expended of \$276,543, which was recorded as tax revenue. The similar exclusion claimed for the Special Revenue Fund is fully composed of income from investments.

Gila County
Notes to Annual Expenditure Limitation Report-Continued
Year ended June 30, 2002

Note 4

The exclusion claimed for trustee or custodian consists of \$4,240,458 in contributions by the County to the Arizona Health Care Cost Containment System for acute care. This expenditure is included in the general government expenditure category in the general purpose financial statements.

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 General and Special Revenue Funds.

Description	General Fund	Special Revenue Funds
Grants and aid from the federal government	\$ 3,072,611	\$ 5,252,628
Amounts received from the State of Arizona	682,167	3,301,506
Highway user revenues in excess of those received in fiscal year 1979-80	-	2,647,478
Other revenues (nonexcludable)	<u>714,420</u>	<u>901,032</u>
Total intergovernmental revenues as reported in the general purpose financial statements	<u>\$ 4,469,198</u>	<u>\$ 12,102,644</u>

Note 6

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 tax revenue and the offsetting expenditures were reported in the general purpose financial statements under the health, welfare and sanitation functional expenditure line items. Consequently, this expenditure has been deducted on the Reconciliation.