

Graham County

Expenditure Limitation Report
Year Ended June 30, 2017



A Report to the Arizona Legislature

Lindsey Perry
Auditor General





The Arizona Office of the 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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LINDSEY PERRY, CPA, CFE
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

We have examined the accompanying annual expenditure limitation report of Graham County for the year ended June 30, 2017, 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.

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.

Jay Zsorey, CPA
Director, Financial Audit Division

June 29, 2018



Graham County
Annual expenditure limitation report—part I
Year ended June 30, 2017

1. Economic Estimates Commission expenditure limitation	\$15,898,378
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>11,558,621</u>
3. Amount under the expenditure limitation	<u>\$ 4,339,757</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: Dustin Welker, County Manager/Clerk of the Board

Telephone number: (928) 428-3250 Date: June 29, 2018

See accompanying notes to report.

Graham County
Annual expenditure limitation report—part II
Year ended June 30, 2017

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line C	\$ 44,821,533	\$ 70,788,611	\$ 115,610,144
B. Less exclusions claimed:			
Debt service requirements (Note 2)	1,911,011		1,911,011
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	19,275		19,275
Trustee or custodian (Note 4)	646,106	70,788,611	71,434,717
Grants and aid from the federal government (Note 5)	4,655,138		4,655,138
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	83,614		83,614
Amounts received from the State of Arizona (Note 5)	5,074,377		5,074,377
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	1,511,091		1,511,091
Contracts with other political subdivisions (Note 5)	2,220,653		2,220,653
Refunds, reimbursements, and other recoveries (Note 5)	159,423		159,423
Amounts received for distribution to school districts (Notes 5 and 6)	131,665		131,665
Prior years carryforward (Note 7)	<u>16,850,559</u>		<u>16,850,559</u>
Total exclusions claimed	<u>33,262,912</u>	<u>70,788,611</u>	<u>104,051,523</u>
C. Amounts subject to the expenditure limitation	<u>\$ 11,558,621</u>	<u>\$ -</u>	<u>\$ 11,558,621</u>

See accompanying notes to report.

Graham County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2017

Description	<u>Governmental 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	\$ 46,612,580	\$ 70,788,611	\$ 117,401,191
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 9)	117,040		117,040
Long-term care contributions the State Treasurer withheld (Note 8)	1,303,500		1,303,500
Required fees/reimbursements made to Arizona state agencies (Note 10)	57,803		57,803
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	<u>312,704</u>		<u>312,704</u>
Total subtractions	<u>1,791,047</u>		<u>1,791,047</u>
C. Amounts reported on part II, line A	<u>\$ 44,821,533</u>	<u>\$ 70,788,611</u>	<u>\$ 115,610,144</u>

See accompanying notes to report.

Graham County

Notes to annual expenditure limitation report

Year ended June 30, 2017

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 and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2

The exclusion claimed for debt service requirements consists of interest and other charges on bonded indebtedness of \$1,487,284 in the governmental funds. In addition, the exclusion claimed for debt service requirements consists of principal and interest payments for capital leases totaling \$423,727, which were reported as general government expenditures, highways and streets expenditures, and public safety expenditures of \$312,727, \$54,217, and \$56,783, respectively, in the governmental funds.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$19,275 in the governmental funds includes investment earnings expended. Remaining investment earnings of the governmental funds of \$30,818 and interest on delinquent taxes expended of \$91,386 have been carried forward to future years.

Note 4

The exclusion claimed for trustee or custodian in the governmental funds consists of \$646,106 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the fiduciary funds, the exclusion consists of \$70,788,611 in distributions to investment pool participants.

Graham County
Notes to annual expenditure limitation report
Year ended June 30, 2017

Note 5

The following schedule presents revenues from which exclusions have been claimed for grants and aid from the federal government; grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes; amounts received from the State of Arizona; highway user revenues; contracts with other political subdivisions; refunds, reimbursements, and other recoveries; and amounts received for distribution to school districts in the governmental funds:

Description	Intergovernmental	Charges for services	Miscellaneous	Donations	Total
Grants and aid from the federal government	\$ 4,655,138				\$ 4,655,138
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes				\$83,614	83,614
Amounts received from the State of Arizona	5,074,377				5,074,377
Highway user revenues in excess of those received in fiscal year 1979-80	1,511,091				1,511,091
Contracts with other political subdivisions	41,158	\$2,179,495			2,220,653
Refunds, reimbursements, and other recoveries			\$159,423		159,423
Amounts received for distribution to school districts	131,665				131,665
Other revenues—(nonexcludable)	<u>6,048,046</u>	<u>1,311,212</u>	<u>807,762</u>		<u>8,167,020</u>
Total revenues as reported in the fund financial statements	<u>\$17,461,475</u>	<u>\$3,490,707</u>	<u>\$967,185</u>	<u>\$83,614</u>	<u>\$22,002,981</u>

Note 6

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

Note 7

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
Bond proceeds	<u>\$16,850,559</u>
Total prior years carryforward expended	<u>\$16,850,559</u>

Note 8

The subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as

Graham County

Notes to annual expenditure limitation report

Year ended June 30, 2017

a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

Note 9

The subtraction of \$117,040 for separate legal entities established under Arizona Revised Statutes consists of expenditures and transfers out 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	\$113,539
Transfers out	<u>3,501</u>
Total	<u>\$117,040</u>

Note 10

The subtraction of \$57,803 for required fees/reimbursements paid to Arizona state agencies consists of \$18,966 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing and \$38,837 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs.

