

CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2008

CITY OF COTTONWOOD, ARIZONA
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INDEPENDENT AUDITOR'S REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and the City Council
of the City of Cottonwood, Arizona

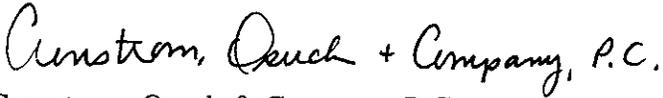
We have audited the accompanying Annual Expenditure Limitation Report of the City of Cottonwood, Arizona, for the year ended June 30, 2008. This report is the responsibility of the City of Cottonwood, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the City of Cottonwood, Arizona, 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 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.

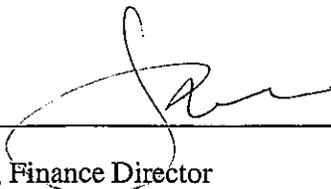

Cronstrom, Osuch & Company, P.C.

December 11, 2008

CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2008

1. Economic Estimates Commission expenditure limitation	\$ -	
2. Voter approved alternative expenditure limitation (Approved May 17, 2005)	<u>65,025,100</u>	
3. Enter applicable amount from Line 1 or Line 2		\$ <u>65,025,100</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	28,029,387	
5. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]	-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]	-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]	<u>-</u>	
8. Subtotal	<u>28,029,387</u>	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution]	<u>-</u>	
10. Total adjusted amount subject to the expenditure limitation		<u>28,029,387</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.)		\$ <u>36,995,713</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: Jesus R. Rodriguez, Finance Director

Telephone Number: 928-634-0060

Date: November 6, 2008

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2008

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 20,202,035	\$ 7,789,874	\$ 13,669	\$ 23,809	\$ 28,029,387
B. Less exclusions claimed:					
1. Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-	-
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long-term obligations	-	-	-	-	-
2. Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-	-	-
3. Trustee or custodian	-	-	-	-	-
4. Grants and aid from the federal government	-	-	-	-	-
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-	-	-
6. Amounts received from the state	-	-	-	-	-
7. Quasi-external interfund transactions	-	-	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-	-
10. Contracts with other political subdivisions	-	-	-	-	-
11. Refunds, reimbursements, and other recoveries	-	-	-	-	-
12. Voter approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward	-	-	-	-	-
14. Total exclusions claimed	-	-	-	-	-
C. Amounts subject to the expenditure limitation (If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero).	<u>\$ 20,202,035</u>	<u>\$ 7,789,874</u>	<u>\$ 13,669</u>	<u>\$ 23,809</u>	<u>\$ 28,029,387</u>

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
 ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
 FISCAL YEAR ENDED JUNE 30, 2008

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses	\$ 20,202,035	\$ 7,918,691	\$ 13,669	\$ 23,809	\$ 28,158,204
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation and amortization	-	1,487,701	-	-	1,487,701
Loss on disposal of capital assets	-	-	-	-	-
Claims incurred but not reported	-	-	-	-	-
Landfill closure and disclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-	-
4. Charges for services paid to the Internal Service Funds	-	-	-	-	-
5. Involuntary court judgments	-	-	-	-	-
6. Total subtractions	<u>-</u>	<u>1,487,701</u>	<u>-</u>	<u>-</u>	<u>1,487,701</u>
C. Additions:					
1. Principal payments on long-term debt	-	300,000	-	-	300,000
2. Acquisition of capital assets	-	1,058,884	-	-	1,058,884
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-	-
4. Landfill closure and postclosure care costs recorded as expended in previous years	-	-	-	-	-
5. Total additions	<u>-</u>	<u>1,358,884</u>	<u>-</u>	<u>-</u>	<u>1,358,884</u>
D. Amounts reported on Part II, Line A	<u>\$ 20,202,035</u>	<u>\$ 7,789,874</u>	<u>\$ 13,669</u>	<u>\$ 23,809</u>	<u>\$ 28,029,387</u>

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL 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, and in accordance with the voter-approved alternative expenditure limitation adopted May 17, 2005, as authorized by the Arizona Constitution, Article IX, §20(9).