



City of Cottonwood, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2016

**CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2016**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and City Council
of the City of Cottonwood, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Cottonwood, Arizona for the year ended June 30, 2016. The City's management is responsible for this report. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 9, 2017

**CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART I
YEAR ENDED JUNE 30, 2016**

- | | |
|--|----------------------|
| 1. Economic Estimates Commission expenditure limitation | <u>\$ 54,726,184</u> |
| 2. Voter-approved alternative expenditure limitation
(approved N/A) | _____ |
| 3. Enter applicable amount from line 1 or line 2 | <u>\$ 54,726,184</u> |
| 4. Amount subject to the expenditure limitation
(total amount from Part II, Line C) | <u>36,006,109</u> |
| 5. Amount under the expenditure limitation | <u>\$ 18,720,075</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, Administrative Services General Manager

Telephone Number: (928) 634-0060

Date: 01/09/17

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2016

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 24,582,078	\$ 11,410,184	\$ 1,583	\$ 12,264	\$ 36,006,109
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 of Arizona					
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					
13 Prior years carryforward	_____	_____	_____	_____	_____
14 Total exclusions claimed	_____	_____	_____	_____	_____
C. Amounts subject to expenditure limitation	\$ <u>24,582,078</u>	\$ <u>11,410,184</u>	\$ <u>1,583</u>	\$ <u>12,264</u>	\$ <u>36,006,109</u>

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2016

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 24,582,078	\$ 9,007,520	\$ 1,583	\$ 12,264	\$ 33,603,445
B. Subtractions:					
1. Items not requiring use of current financial resources -					
Depreciation		1,869,909			1,869,909
Loss on disposal of capital assets					
Bad debt expense					
Other postemployment benefits expense (OPEB)					
Pension expense		(52,387)			(52,387)
Claims incurred but not reported (IBNR)					
Landfill closure and postclosure care costs					
2. Expenditures of separate legal entities established under Arizona Revised Statutes					
3. Required fees paid to the Arizona Department of Revenue					
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements					
5. Involuntary court judgments					
6. Total subtractions		<u>1,817,522</u>			<u>1,817,522</u>
C. Additions:					
1. Principal payments on long-term debt		1,004,156			1,004,156
2. Acquisition of capital assets		3,067,467			3,067,467
3. Amounts paid in the current year but reported as expenses in previous years:					
OPEB					
Claims previously recognized as IBNR					
Pension contributions		148,563			148,563
Landfill closure and postclosure care cost					
4. Total additions		<u>4,220,186</u>			<u>4,220,186</u>
D. Amounts reported on Part II, Line A	<u>\$ 24,582,078</u>	<u>\$ 11,410,184</u>	<u>\$ 1,583</u>	<u>\$ 12,264</u>	<u>\$ 36,006,109</u>

See accompanying notes to report.

CITY OF COTTONWOOD, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2016

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 §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 – PENSION RELATED ITEMS

The subtraction of \$(52,387) for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise Funds. The addition of \$148,563 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise Funds.