

City of Cottonwood, Arizona

**Annual Expenditure
Limitation Report**

Fiscal Year Ended June 30, 2017

Lumbard & Associates, P.L.L.C.
(A Division of The Pun Group, LLP)
4143 N. 12th Street, Suite 100
Phoenix, Arizona 85014
Phone (602) 274-9966
Fax (602) 265-0021
www.llumbard.com

**City of Cottonwood, Arizona
Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2017**

Table of Contents

	<u>Page</u>
Independent Accountants' Report	1
Annual Expenditure Limitation Report - Part I	2
Annual Expenditure Limitation Report - Part II	3
Annual Expenditure Limitation Report - Reconciliation	4
Notes to Annual Expenditure Limitation Report	5

L **LUMBARD & ASSOCIATES PLLC**
A Division of The Pun Group LLP

Lisa B. Lombard, C.P.A., C.G.F.M.
Kenneth H. Pun, C.P.A., C.G.M.A.

Vanessa I. Burke, C.P.A., C.P.F.O.
Frances Kuo, C.P.A., C.G.M.A.
Maria G. Ward, C.P.A.
Andan (Jake) Litwiller

Stephanie M. Canz

American Institute of
Certified Public
Accountants
Government Audit
Quality Center

Government Finance
Officers Association

Arizona Society of
Certified Public
Accountants

Association of
Government
Accountants

Arizona Hispanic
Chamber of
Commerce

Alliance of Arizona
Nonprofits

Independent Accountants' 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 the City of Cottonwood, Arizona for the year ended June 30, 2017. The City of Cottonwood, Arizona'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 of the City of Cottonwood, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Lombard & Associates, PLLC

Phoenix, Arizona
February 28, 2018

City of Cottonwood, Arizona
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2017

1. Economic Estimates Commission expenditure limitation	\$ 56,110,725	
2. Voter approved alternative expenditure limitation (Approved ___)	<u> </u>	
3. Enter applicable amount from Line 1 or Line 2		\$ 56,110,725
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$ 38,830,765	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]	<u> </u>	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]	<u> </u>	
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. Qualifying capital improvement expenditures to exceed the expenditure limitation for the reporting fiscal year A.R.S., §41-1279.07(I)	<u> </u>	
8. Subtotal	\$ 38,830,765	
10. 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		\$ 38,830,765
12. Amount under (in excess of) the expenditure limitation		<u>\$ 17,279,960</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: _____

Telephone Number: _____ Date: _____

See accompanying notes to report.

City of Cottonwood, Arizona
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 29,924,810	\$ 11,500,925	\$ -	\$ 8,325	\$ 41,434,060
B. Less exclusions claimed:					
4. Grants and aid from the federal government. See Note 4	2,603,295	0			2,603,295
16 Total exclusions claimed	2,603,295	-	-	-	2,603,295
C. Amounts subject to the expenditure limitation	\$ 27,321,515	\$ 11,500,925	\$ -	\$ 8,325	\$ 38,830,765

See accompanying notes to report.

City of Cottonwood, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2017

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-based financial statements	\$ 29,948,897	\$ 7,150,314	\$ -	\$ 8,325	\$ 37,107,536
B. Subtractions					
1. Items not requiring use of current financial resources					
a. Depreciation (Capital Asset Rollforward)		1,694,591			1,694,591
b. Bad debt expense		68,389			68,389
c. Pension Expense (Note 2)		260,732			260,732
3. Required fees paid to the Arizona Department of Revenue	24,087				24,087
6. Total subtractions	\$ 24,087	\$ 2,023,712	\$ -	\$ -	\$ 1,955,323
C. Additions:					
1. Principal payments on long-term debt (Note 3)		628,490			628,490
2. Capital asset acquisitions (Statement of Cash Flows)		5,745,833			5,745,833
3. Amounts paid in the current year but reported as expenses in previous years					
4. Pension contributions paid in the current year (Note 2)		153,968			153,968
5. Total additions	\$ -	\$ 6,374,323	\$ -	\$ -	\$ 6,374,323
D. Amounts reported on Part II, Line A	\$ 29,924,810	\$ 11,500,925	\$ -	\$ 8,325	\$ 41,434,060

See accompanying notes to report.

City of Cottonwood, Arizona
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 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, 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 requirements, 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 – Defined Benefit Pension Plan

The subtraction of \$260,732 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise/internal service funds. The addition of \$153,968 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise/internal service funds.

Note 3 – Principal Payments on Long-Term Debt

The addition for principal payments on long-term debt in the enterprise fund consists of:

	2017
2015 WIFA refunding loan - \$8,987,286:	
Principal retirements	\$ 628,490
Total principal payments	\$ 628,490

Note 4 – Grants and Aid from the Federal Government

The following schedule presents revenues from which exclusions have been claimed for Federal grants and aid. The amounts excluded do not exceed expenditures of such revenues.

	2017
Grant and aid from the federal government	\$ 2,603,295
Total intergovernmental revenues as reported in the fund financial statements	\$ 2,603,295