

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Cochise County for the year ended June 30, 2018, 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.

Donna Miller, CPA
Director, Financial Audit Division

July 1, 2019



Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2018

1. Economic Estimates Commission expenditure limitation	\$66,107,276
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>60,157,042</u>
3. Amount under the expenditure limitation	<u>\$ 5,950,234</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: Douglas Kooi, Interim Finance Director

Telephone number: (520) 432-8377 Date: July 1, 2019

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2018

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 81,314,614	\$ 7,459,345	\$ 15,188,863	\$ 209,499,988	\$ 313,462,810
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	65,063	23,934	25,654		114,651
Trustee or custodian (Note 3)	2,602,228			209,499,988	212,102,216
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	572,120				572,120
Grants and aid from the federal government (Note 5)	9,606,474				9,606,474
Amounts received from the State of Arizona (Note 5)	5,363,855				5,363,855
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	7,775,503				7,775,503
Quasi-external interfund transactions (Note 6)			13,728,794		13,728,794
Contracts with other political subdivisions (Note 7)	208,331	2,130,744			2,339,075
Prior years carryforward (Note 8)	<u>1,703,080</u>				<u>1,703,080</u>
Total exclusions claimed	<u>27,896,654</u>	<u>2,154,678</u>	<u>13,754,448</u>	<u>209,499,988</u>	<u>253,305,768</u>
C. Amounts subject to the expenditure limitation	<u>\$ 53,417,960</u>	<u>\$ 5,304,667</u>	<u>\$ 1,434,415</u>	<u>\$ -</u>	<u>\$ 60,157,042</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2018

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	\$ 90,687,815	\$ 7,834,833	\$ 14,375,603	\$ 209,499,988	\$ 322,398,239
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		373,168	1,918,119		2,291,287
Landfill closure and postclosure care costs		215,393			215,393
Pension and other postemployment benefits (OPEB) expense (Note 9)		(34,521)	(1,534)		(36,055)
Contributions to fire districts (Note 10)	903,137				903,137
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 11)	2,995,082				2,995,082
Long-term care contributions the State Treasurer withheld (Note 12)	5,241,100				5,241,100
Required fees/reimbursements made to Arizona state agencies (Note 13)	233,882				233,882
Total subtractions	<u>9,373,201</u>	<u>554,040</u>	<u>1,916,585</u>		<u>11,843,826</u>
C. Additions:					
Capital asset acquisitions			2,624,564		2,624,564
Pension and OPEB contributions paid in the current year (Note 9)		177,447	105,281		282,728
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 14)		1,105			1,105
Total additions		<u>178,552</u>	<u>2,729,845</u>		<u>2,908,397</u>
D. Amounts reported on part II, line A	<u>\$ 81,314,614</u>	<u>\$ 7,459,345</u>	<u>\$ 15,188,863</u>	<u>\$ 209,499,988</u>	<u>\$ 313,462,810</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2018

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; 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

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$65,053 in the governmental funds consists of expended investment earnings. Interest on delinquent taxes of \$1,230,679, which was reported as tax revenue was carried forward to future years.

Note 3

The exclusion claimed for trustee or custodian in the governmental funds consists of \$2,602,228 in contributions by the County 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 \$209,499,988 in distributions to investment pool participants.

Note 4

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$572,120 in the governmental funds, consisted of expended donations revenues. Remaining amounts of \$5,504 were carried forward to future years.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018

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 governmental funds:

Description	
Grants and aid from the federal government	\$ 9,606,474
Amounts received from the State of Arizona	5,457,311
Highway user revenues in excess of those received in fiscal year 1979-80	7,775,503
Other revenues—(nonexcludable)	<u>17,889,585</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$40,728,873</u>

Of the \$5,457,311 of amounts received from the State of Arizona, \$5,363,855 was claimed as an exclusion. The remaining excludable amounts of \$93,456 were unspent and carried forward to future years.

Note 6

The exclusion claimed for quasi-external interfund transactions of \$13,728,794 in the internal service funds consists of charges for services expended of \$5,913,907 and health plan contributions expended of \$7,814,887. The remaining amount of \$403,204 were carried forward to future years.

Note 7

The exclusion claimed for contracts with other political subdivisions of \$208,331 in governmental funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$2,130,744 in the enterprise funds consists of expended charges for services revenues.

Note 8

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
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	\$1,702,211
Amounts received from the State of Arizona	<u>869</u>
Total prior years carryforward expended	<u>\$1,703,080</u>

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018

Note 9

The (\$36,055) subtraction for pension and other postemployment benefits (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise and internal service funds. The \$282,728 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds.

Note 10

The subtraction of \$903,137 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 11

The subtraction of \$2,995,082 for separate legal entities established under Arizona Revised Statutes consists of expenditures 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	
General government	\$ 45,109
Public safety	1,892,036
Culture and recreation	<u>1,057,937</u>
Total	<u>\$2,995,082</u>

Note 12

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

Note 13

The \$233,882 subtraction for required fees/reimbursements paid to Arizona State agencies consists of \$67,000 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing; \$136,028 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$30,854 paid to the Arizona Department of Health Services pursuant to Laws 2017, Chapter 309, Sections 11 and 12, for inpatient competency restoration treatment and committing an individual the court determined to be sexually violent, which were recorded as general government expenditures.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018

Note 14

The addition of \$1,105 for landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years consists of cash payments in the current year for those costs reported as expenses in previous years in the enterprise funds.

