

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2022



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
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 (report) of Cochise County for the year ended June 30, 2022, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 10, 2023

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	\$72,697,673
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>68,521,940</u>
3. Amount under the expenditure limitation	<u>\$ 4,175,733</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: Monica Miranda, Finance Director

Telephone number: (520) 432-8370

Date: August 10, 2023

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2022

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 97,562,885	\$ 10,460,118	\$ 13,334,494	\$ 465,507,431	\$ 586,864,928
B. Less exclusions claimed:					
Trustee or custodian (Note 3)	2,465,405			465,507,431	467,972,836
Grants and aid from the federal government (Note 5)	17,750,394				17,750,394
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	230,404				230,404
Amounts received from the State of Arizona (Note 5)	8,789,443				8,789,443
Quasi-external interfund transactions (Note 6)			12,938,465		12,938,465
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	8,017,876				8,017,876
Contracts with other political subdivisions (Note 7)	18,562	2,460,002			2,478,564
Prior years carryforward (Note 8)	<u>165,006</u>				<u>165,006</u>
Total exclusions claimed	<u>37,437,090</u>	<u>2,460,002</u>	<u>12,938,465</u>	<u>465,507,431</u>	<u>518,342,988</u>
C. Amounts subject to the expenditure limitation	<u>\$ 60,125,795</u>	<u>\$ 8,000,116</u>	<u>\$ 396,029</u>	<u>\$ -</u>	<u>\$ 68,521,940</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2022

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	\$ 105,956,425	\$ 10,936,070	\$ 15,104,711	\$ 465,507,431	\$ 597,504,637
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation/amortization		385,415	2,261,645		2,647,060
Pension and other postemployment benefits (OPEB) expense (Note 9)	297,537	107,229	301,570		706,336
Landfill closure and postclosure care costs (Note 13)		380,686			380,686
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11)	2,551,437				2,551,437
Contributions to fire districts (Note 10)	992,866				992,866
Long-term care contributions the State Treasurer withheld (Note 12)	4,551,700				4,551,700
Total subtractions	<u>8,393,540</u>	<u>873,330</u>	<u>2,563,215</u>		<u>11,830,085</u>
C. Additions:					
Capital asset acquisitions		183,051	685,572		868,623
Amounts paid in the current year but reported as expenses in previous years:					
Landfill closure and postclosure care costs (Note 13)		861			861
Pension and OPEB contributions paid in the current year (Note 9)		213,466	107,426		320,892
Total additions		<u>397,378</u>	<u>792,998</u>		<u>1,190,376</u>
D. Amounts reported on part II, line A	<u>\$ 97,562,885</u>	<u>\$ 10,460,118</u>	<u>\$ 13,334,494</u>	<u>\$ 465,507,431</u>	<u>\$ 586,864,928</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2022

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

Interest on delinquent taxes of \$1,444,261, which was reported as tax revenue in the governmental funds, was unspent and carried forward to future years.

Note 3

The \$2,465,405 exclusion claimed for trustee or custodian in the governmental funds consists of 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 of \$465,507,431 consists of \$265,266,968, \$102,552,479, \$90,350,740, \$5,404,352, \$402,679 and \$1,530,213 in distributions to investment pool participants, distributions to other governments, property tax distributions to other governments, fines and fees distributions to other governments, payments to inmates and other, respectively.

Note 4

The \$230,404 exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual (except amounts received in lieu of taxes) in the governmental funds, consists of expended donation revenues which are reported within miscellaneous revenues. The remaining excludable amount of \$92,000 was unspent and carried forward to future years.

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:

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2022

Description	
Grants and aid from the federal government	\$17,750,394
Amounts received from the State of Arizona	10,340,873
Highway user revenues in excess of those received in fiscal year 1979-80	9,649,549
Other revenues—(nonexcludable)	<u>18,578,033</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$56,318,849</u>

Of the \$10,340,873 of amounts received from the State of Arizona, \$8,789,443 was claimed as an exclusion. The remaining excludable amount of \$1,551,430 was unspent and carried forward to future years. Of the \$9,649,549 of highway user revenues, \$8,017,876 was claimed as an exclusion. The remaining excludable amount of \$1,631,673 was unspent and carried forward to future years.

Note 6

The \$12,938,465 exclusion claimed for quasi-external interfund transactions in the internal service funds consists of charges for services expended of \$5,420,939 and health plan contributions expended of \$7,517,526. The remaining excludable charges for services amount of \$1,093,412 was unspent and carried forward to future years.

Note 7

The \$18,562 exclusion claimed in the governmental funds and the \$2,460,002 exclusion claimed in the enterprise funds, for contracts with other political subdivisions, respectively, consist of charges for services expended.

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
Amounts received from the State of Arizona	<u>\$165,006</u>
Total prior years carryforward expended	<u>\$165,006</u>

Note 9

The \$107,229 and \$301,570 subtractions for pension and other post employment benefit (OPEB) expense consist of changes in the net pension and OPEB assets and liabilities and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise and the internal service funds, respectively. The \$213,466 and \$107,426 additions for pension and OPEB contributions paid in the current year consist of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds, respectively. The schedule below

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2022

reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

<u>Statement of cash flows</u>	Enterprise funds	Internal service funds
Change in net pension and OPEB asset	\$ (61,971)	\$ (30,986)
Change in deferred inflows related to pensions and OPEB	673,878	336,938
Change in deferred outflows related to pensions and OPEB	10,854	252,690
Change in net pension and OPEB liability	<u>(728,998)</u>	<u>(364,498)</u>
Total	<u>\$ (106,237)</u>	<u>\$ 194,144</u>
<u>AELR Reconciliation</u>		
Pension/OPEB contributions – addition	\$ 213,466	\$ 107,426
Pension/OPEB expense(income) – subtraction	<u>(107,229)</u>	<u>(301,570)</u>
Total	<u>\$ 106,237</u>	<u>\$ (194,144)</u>

The \$297,537 subtraction for pension expense in the governmental funds consists of nonemployer contributions to the Elected Officials Retirement Plan (EORP) that were reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

Note 10

The subtraction of \$992,866 for contributions to fire districts in the governmental funds consists of the distribution of taxes the County levies specifically for fire districts, which are reported under public safety.

Note 11

The \$2,551,437 subtraction 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 that are reported in the governmental funds:

Special assessment districts	
General government	\$ 45,571
Public safety	1,007,774
Culture and recreation	1,267,973
Capital outlay	<u>230,119</u>
Total	<u>\$2,551,437</u>

Note 12

The \$4,551,700 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.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2022

Note 13

The \$380,686 subtraction for landfill closure and postclosure care costs consists of the portion of the total estimated liability reported as expenses in the current year but not yet paid in the enterprise funds. The \$861 addition 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.

Note 14

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the revenue sources and the changes in their balances is shown in the table below. The reduction amounts for "Amounts received from the State of Arizona" includes prior year lost carryforward of \$372,371 as a result of expenditures that were not excluded.

Description	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Dividends, interest, and gains on the sale or redemption of investment securities	\$10,058,610	\$1,444,261		\$11,502,871
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	69,765	92,000		161,765
Amounts received from the State of Arizona	1,241,810	1,551,430	\$537,377	2,255,863
Quasi-external interfund transactions	5,873,814	1,093,412		6,967,226
Highway user revenues in excess of those received in fiscal year 1979-80	<u>2,291,430</u>	<u>1,631,673</u>		<u>3,923,103</u>
Total carryforward	<u>\$19,535,429</u>	<u>\$5,812,776</u>	<u>\$537,377</u>	<u>\$24,810,828</u>

