

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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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, 2019, 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

May 12, 2020

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2019

1. Economic Estimates Commission expenditure limitation	\$67,539,324
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>62,613,963</u>
3. Amount under the expenditure limitation	<u>\$ 4,925,361</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: (Signature removed for website presentation.)

Name and title: Keith Buonocore, Finance Director

Telephone number: (520) 432-8377 Date: May 12, 2020

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2019

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	\$ 85,920,670	\$ 7,393,657	\$ 15,138,380	\$ 234,770,302	\$ 343,223,009
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	1,919,561	41,532	140,362		2,101,455
Trustee or custodian (Note 3)	2,445,731			234,770,302	237,216,033
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	558,859				558,859
Grants and aid from the federal government (Note 5)	9,531,878				9,531,878
Amounts received from the State of Arizona (Note 5)	5,532,282				5,532,282
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	8,369,327				8,369,327
Quasi-external interfund transactions (Note 6)			13,324,614		13,324,614
Contracts with other political subdivisions (Note 7)	599,798	2,204,604			2,804,402
Prior years carryforward (Note 8)	<u>1,170,196</u>				<u>1,170,196</u>
Total exclusions claimed	<u>30,127,632</u>	<u>2,246,136</u>	<u>13,464,976</u>	<u>234,770,302</u>	<u>280,609,046</u>
C. Amounts subject to the expenditure limitation	<u>\$ 55,793,038</u>	<u>\$ 5,147,521</u>	<u>\$ 1,673,404</u>	<u>\$ -</u>	<u>\$ 62,613,963</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2019

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 95,785,793	\$ 7,864,829	\$ 14,626,877	\$ 234,770,302	\$ 353,047,801
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		361,851	2,256,701		2,618,552
Landfill closure and postclosure care costs (Note 14)		252,692			252,692
Pension and other postemployment benefits (OPEB) expense (Note 9)	510,668	24,345	28,726		563,739
Contributions to fire districts (Note 10)	938,159				938,159
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 11)	2,504,171				2,504,171
Long-term care contributions the State Treasurer withheld (Note 12)	5,729,642				5,729,642
Required fees/reimbursements made to Arizona state agencies (Note 13)	<u>182,483</u>				<u>182,483</u>
Total subtractions	<u>9,865,123</u>	<u>638,888</u>	<u>2,285,427</u>		<u>12,789,438</u>
C. Additions:					
Capital asset acquisitions			2,691,648		2,691,648
Pension and OPEB contributions paid in the current year (Note 9)		166,182	105,282		271,464
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 14)		<u>1,534</u>			<u>1,534</u>
Total additions		<u>167,716</u>	<u>2,796,930</u>		<u>2,964,646</u>
D. Amounts reported on part II, line A	<u>\$ 85,920,670</u>	<u>\$ 7,393,657</u>	<u>\$ 15,138,380</u>	<u>\$ 234,770,302</u>	<u>\$ 343,223,009</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2019

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 \$1,919,561 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds consists of expended investment earnings. Interest on delinquent taxes of \$1,162,838, which was reported as tax revenue in the governmental funds, was carried forward to future years.

Note 3

The exclusion claimed for trustee or custodian in the governmental funds consists of \$2,445,731 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 \$234,770,302 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 \$558,859 in the governmental funds, consisted of expended donations revenues. Remaining amounts of \$557,205 were carried forward to future years.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

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	\$ 9,531,878
Amounts received from the State of Arizona	5,640,107
Highway user revenues in excess of those received in fiscal year 1979-80	8,369,327
Other revenues—(nonexcludable)	<u>19,218,980</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$42,760,292</u>

Of the \$5,640,107 of amounts received from the State of Arizona, \$5,532,282 was claimed as an exclusion. The remaining excludable amounts of \$107,825 were unspent and carried forward to future years.

Note 6

The exclusion claimed for quasi-external interfund transactions of \$13,324,614 in the internal service funds consists of charges for services expended of \$5,999,225 and health plan contributions expended of \$7,325,389. The remaining amount of \$424,017 were carried forward to future years.

Note 7

The exclusion claimed for contracts with other political subdivisions of \$599,798 in governmental funds consists of charges for services expended.

The exclusion claimed for contracts with other political subdivisions of \$2,204,604 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	<u>\$1,170,196</u>
Total prior years carryforward expended	<u>\$1,170,196</u>

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

Note 9

The subtraction of \$563,739 for pension and other post employment benefit (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 the internal service funds. The 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. The \$271,464 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 \$938,159 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 11

The subtraction of \$2,504,171 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	\$ 45,619
Public safety	1,358,725
Culture and recreation	<u>1,099,827</u>
Total	<u>\$2,504,171</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 subtraction of \$182,483 for required fees/reimbursements paid to Arizona state agencies consists of \$104,587 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$77,896 paid to the Arizona Department of Health Services pursuant to Laws 2018, Chapter 284, Section 11, for inpatient competency restoration treatment, which were recorded as general government expenditures.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

Note 14

The \$252,692 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 addition of \$1,534 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.

