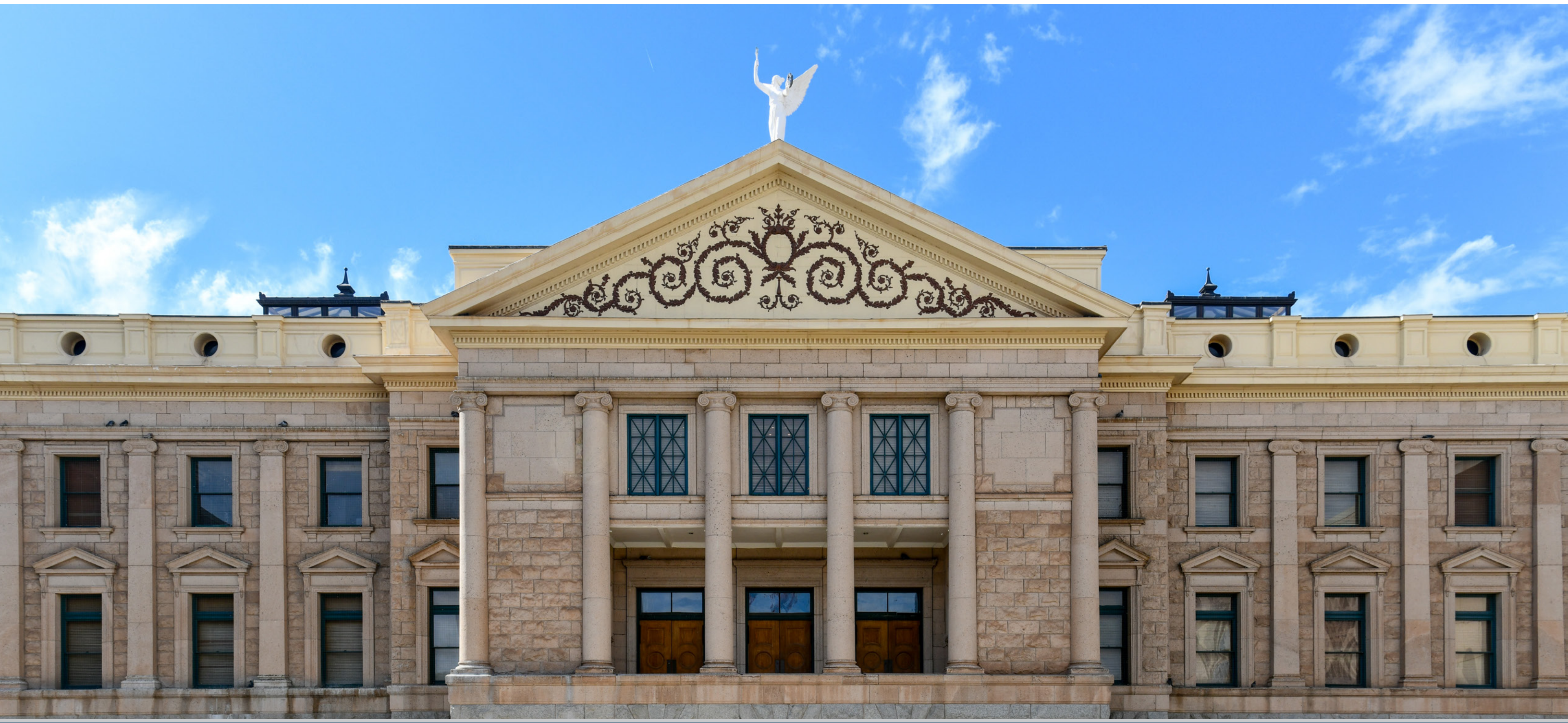
Arizona Auditor General
Making a Positive Difference

Annual Expenditure Limitation Report
Year Ended June 30, 2025

Cochise County



Lindsey A. Perry
Auditor General

Arizona Auditor General's mission

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

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TABLE OF CONTENTS

ARIZONA AUDITOR GENERAL

Lindsey A. Perry, 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, 2025, 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

July 8, 2026

The County prepared the subsequent pages of this document.

Annual Expenditure Limitation Report (AELR):

- **Part I**

  In Part I, the County compares its expenditure limitation amount—determined by the Economic Estimates Commission in accordance with Arizona Revised Statutes (A.R.S.) §41-563—to the total amount subject to the expenditure limitation to determine whether the County exceeded its expenditure limitation.

- **Part II**

  In Part II, the County identifies its payments made from revenues that are not considered to be local revenues as defined by the Arizona Constitution, Article IX, §20(3) (exclusions), to determine the amount subject to the expenditure limitation reported on Part I because the Arizona Constitution, Article IX, §20, limits the spending of local revenues only.

- **Reconciliation**

  The reconciliation of total expenditures reported within the annual financial statements to total expenditures stated within the AELR is required by A.R.S. §41-1279.07. To perform this reconciliation, the County uses the total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported in its annual financial statements and makes adjustments (i.e., subtractions and additions) for certain generally accepted accounting principle requirements and statutory and other provisions to arrive at the total amounts reported on Part II.

- **Notes to the AELR**

  In the Notes to the AELR, the County describes its significant accounting policies used in preparing the AELR and includes a note for any exclusion, subtraction, and addition included on Part II and the Reconciliation that cannot be agreed directly to an amount reported in its annual financial statements as prescribed by the Uniform Expenditure Reporting System.

The results of our examination procedures on the AELR are described in the independent accountants' report.

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2025

1.	Economic Estimates Commission expenditure limitation	$ 81,287,348
2.	Amount subject to the expenditure limitation (total amount from Part II, line C)	81,287,347
3.	Amount under the expenditure limitation	$ 1

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: M Miranda

Name and title: Monica Miranda, Finance Director

Telephone number: (520) 432-8370 Date: 07/08/2026

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2025

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the Reconciliation, line D	$ 122,517,037	$ 12,244,023	$ 17,082,171	$ 503,404,772	$ 655,248,003
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	2,074,061	366,528	306,855		2,747,444
Trustee or custodian (Note 3)	2,516,931			503,404,772	505,921,703
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	606,051				606,051
Grants and aid from the federal government (Note 5)	11,472,656	6,255,221			17,727,877
Amounts received from the State of Arizona (Note 5)	15,822,176	115,324			15,937,500
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	10,112,041				10,112,041
Quasi-external interfund transactions (Note 6)			15,743,586		15,743,586
Contracts with other political subdivisions (Note 7)	26,237	2,484,684			2,510,921
Prior years carryforward (Note 8)	428,145		200,040		628,185
Amounts received for distribution to school districts (Note 5)	2,025,348				2,025,348
Total exclusions claimed	45,083,646	9,221,757	16,250,481	503,404,772	573,960,656
C. Amounts subject to the expenditure limitation	$ 77,433,391	$ 3,022,266	$ 831,690	$	$ 81,287,347

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2025

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	$ 130,728,628	$ 12,536,470	$ 16,429,898	$ 503,404,772	$ 663,099,768
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation and amortization		494,229	1,791,720		2,285,949
Loss on disposal of capital assets		4,639			4,639
Landfill closure and postclosure care costs (Note 13)		381,419			381,419
Compensated absences (Note 14)		94,524	154,018		248,542
Pension and other postemployment benefits (OPEB) expense (Note 9)	344,091	191,388	95,694		631,173
Contributions to fire districts (Note 10)	1,104,265				1,104,265
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11)	11,193,203				11,193,203
Long-term care contributions the State Treasurer withheld (Note 12)	973,400				973,400
Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception (Note 16)	1,169,272				1,169,272
Total subtractions	14,784,231	1,166,199	2,041,432		17,991,862

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation (continued)
Year ended June 30, 2025

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
C. Additions:					
Capital asset acquisitions		$ 480,777	$ 2,440,015		$ 2,920,792
Pension and OPEB contributions paid in the current year (Note 9)		263,682	132,764		396,446
County transfers to separate legal entities (Note 11)	$ 6,572,640				6,572,640
Amounts paid in the current year but reported as expenses in previous years:					
Landfill closure and postclosure care costs (Note 13)		579			579
Compensated absences (Note 14)		128,714	120,926		249,640
Total additions	6,572,640	873,752	2,693,705		10,140,097
D. Amounts reported on part II, line A	$ 122,517,037	$ 12,244,023	$ 17,082,171	$ 503,404,772	$ 655,248,003

See accompanying notes to report.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2025

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 $2,074,061 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds was included in the balance of interest income of $5,595,496 on the statement of revenues, expenditures, and changes in fund balances, which included $337,511 in revenues from special legal entities established under A.R.S., $3,258,616 carried forward to future years, and an adjustment of $74,692, that is nonexcludable. Interest on delinquent taxes of $1,198,889, which was reported as tax revenue in the governmental funds, was carried forward to future years.

Note 3

The $2,516,931 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 $503,404,772 consists of $291,641,488, $113,798,097, $89,703,299, $6,066,061, $121,186 and $2,074,641 in distributions to investment pool participants, distributions to other governments, property tax distributions to other governments, fines and fees distributions to other governments, payment to inmates, and other distributions, respectively.

Note 4

The $606,051 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.

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, amounts received for distribution to school districts, and highway user revenues in the governmental and enterprise funds:

Description		
Governmental funds		
Grants and aid from the federal government	$	11,472,656
Amounts received from the State of Arizona		15,822,176
Highway user revenues in excess of those received in fiscal year 1979-80		10,112,041
Amounts received for distribution to school districts		2,025,348
Nonexcludable revenues		25,339,960
Unspent, excludable revenues carried forward		1,981,921
Total intergovernmental revenues as reported in the fund financial statements - governmental funds	$	66,754,102
Enterprise funds		
Grants and aid from the federal government	$	6,255,221
Amounts received from the State of Arizona		115,324
Nonexcludable revenues		164,282
Total intergovernmental revenues as reported in the fund financial statements - enterprise funds	$	6,534,827

Note 6

The $15,743,586 exclusion claimed for quasi-external interfund transactions in the internal service funds consists of charges for services expended of $7,459,451 and health plan contributions expended of $8,248,520, and other revenues expended of $35,615. The remaining excludable charges for services amount of $631,193 was unspent and has been carried forward to future years.

Note 7

The $26,237 exclusion claimed in the governmental funds and the $2,484,684 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	Internal service funds
Grants, aid, contributions, or gifts from a private agency, organization, individual, except amounts received in lieu of taxes	$ 13,915	
Amounts received from the State of Arizona	414,230	
Quasi-external interfund transactions		$ 200,040
Total prior years carryforward expended	$ 428,145	$ 200,040

Note 9

The $191,388 and $95,694 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 $263,682 and $132,764 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 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.

	Enterprise funds	Internal service funds
Statement of cash flows		
Change in net pension and OPEB asset	$ (13,414)	$ (6,707)
Change in deferred inflows related to pensions and OPEB	22,155	11,078
Change in deferred outflows related to pensions and OPEB	(153,908)	(77,878)
Change in net pension and OPEB liability	72,873	36,437
Total	$ (72,294)	$ (37,070)
AELR—Reconciliation		
Pension/OPEB contributions—addition	$ 263,682	$ 132,764
Pension/OPEB expense(income)—subtraction	(191,388)	(95,694)
Total	$ 72,294	$ 37,070

The $344,091 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 $1,104,265 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts, which are reported under public safety.

Note 11

The $6,572,640 addition for county monies transferred to separate legal entities consists of the County's required maintenance of effort payment to the jail district. In addition, on the County's behalf, the separate legal entity made $8,237,934 in expenditures which is included in public safety.

The $11,193,203 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	$ 45,464
Public safety	9,653,680
Culture and recreation	1,399,237
Capital outlay	94,822
Total	$ 11,193,203

Note 12

The $973,400 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 $381,419 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 $579 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

The $94,524 and $154,018 subtractions for compensated absences consists of the portion of the total estimated liability reported as expenses in the current year but not yet paid in the enterprise and internal service funds, respectively. The $128,714 and $120,926 additions for compensated absences 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, and internal service funds, respectively.

Note 15

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 accumulated revenue sources and the changes in their balances is shown in the table below. The carryforward used for amounts received from the State of Arizona includes $796,220 of amounts that are no longer available for exclusion by the County.

Description	Balance June 30, 2024	Carryforward added	Carryforward used	Balance June 30, 2025
Dividends, interest, and gains on the sale or redemption of investment securities	$ 14,090,614	$ 4,457,505		$ 18,548,119
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	100,468		$ 13,915	86,553
Amounts received from the State of Arizona	2,698,064	1,166,793	1,210,450	2,654,407
Quasi-external interfund transactions	6,604,595	631,193	200,040	7,035,748
Highway user revenues in excess of those received in fiscal year 1979-80	7,366,548	402,762		7,769,310
Amounts received for distribution to school districts	658,479	412,366		1,070,845
Total carryforward	$ 31,518,768	$ 7,070,619	$ 1,424,405	$ 37,164,982

Note 16

The $1,169,272 subtraction for the present value of net minimum lease, financed purchased and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception, consists of new leases recorded of $850,664 and new SBITAs recorded of $318,608 in the governmental funds.