



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Cochise County

Year Ended June 30, 2015



Debra K. Davenport
Auditor General

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Cochise County
Annual Expenditure Limitation Report
Year Ended June 30, 2015

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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 of Cochise County for the year ended June 30, 2015. The County'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 referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA
Financial Audit Director

March 31, 2016

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Cochise County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2015

1. Economic Estimates Commission expenditure limitation	\$64,841,848
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>59,113,792</u>
3. Amount under the expenditure limitation	<u>\$ 5,728,056</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: Carol Schneider, Deputy Finance Director

Telephone Number: (520) 432-8370 Date: March 31, 2016

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2015

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	\$ 83,304,228	\$ 4,582,079	\$ 13,951,782	\$ 226,213,836	\$ 328,051,925
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	422,656		1,601,519		2,024,175
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	406,035	10,247	35,083		451,365
Trustee or custodian (Note 4)	2,585,573			226,213,836	228,799,409
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	5,045,074				5,045,074
Grants and aid from the federal government (Note 6)	7,866,920				7,866,920
Amounts received from the State of Arizona (Note 6)	4,783,063				4,783,063
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	6,186,941				6,186,941
Quasi-external interfund transactions (Note 7)			9,691,763		9,691,763
Contracts with other political subdivisions (Note 8)	843,779	1,974,583			2,818,362
Prior years carryforward (Note 9)	<u>1,271,061</u>				<u>1,271,061</u>
Total exclusions claimed	<u>29,411,102</u>	<u>1,984,830</u>	<u>11,328,365</u>	<u>226,213,836</u>	<u>268,938,133</u>
C. Amounts subject to the expenditure limitation	<u>\$ 53,893,126</u>	<u>\$ 2,597,249</u>	<u>\$ 2,623,417</u>	<u>\$ -</u>	<u>\$ 59,113,792</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2015

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	\$ 93,971,822	\$ 4,516,120	\$ 13,386,195	\$ 226,213,836	\$ 338,087,973
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		703,435	1,480,232		2,183,667
Landfill closure and postclosure care costs		(668,510)			(668,510)
Pension expense (Note 10)		112,967	67,780		180,747
Contributions to fire districts (Note 11)	956,324				956,324
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 12)	3,811,190				3,811,190
Long-term care contributions withheld by the State Treasurer (Note 13)	5,138,300				5,138,300
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	619,367				619,367
Payments made to reimburse the Arizona Department of Health Services (Note 14)	142,413				142,413
Total subtractions	<u>10,667,594</u>	<u>147,892</u>	<u>1,548,012</u>	<u> </u>	<u>12,363,498</u>
C. Additions:					
Principal payments on long-term debt			1,590,334		1,590,334
Acquisition of capital assets		72,545	429,583		502,128
Pension contributions paid in the current year (Note 10)		136,312	93,682		229,994
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 15)		4,994			4,994
Total additions	<u> </u>	<u>213,851</u>	<u>2,113,599</u>	<u> </u>	<u>2,327,450</u>
D. Amounts reported on Part II, Line A	<u>\$ 83,304,228</u>	<u>\$ 4,582,079</u>	<u>\$ 13,951,782</u>	<u>\$ 226,213,836</u>	<u>\$ 328,051,925</u>

See accompanying notes to report.

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

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 §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 debt service requirements on other long-term obligations of \$422,656 in the Governmental Funds consists of principal and interest and other charges of \$412,976 and \$9,680, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$1,601,519 in the Internal Service Funds consists of principal and interest paid on capital leases of \$1,590,334 and \$11,185, respectively.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$406,035 in the Governmental Funds consists of expended investment earnings. The interest on delinquent taxes of \$1,266,093, which was reported as tax revenue, was carried forward to future years.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,585,573 in 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 consists of \$226,213,836 in distributions to investment pool participants.

Note 5 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amount received in lieu of taxes of \$5,045,074 in the Governmental Funds consists of expended miscellaneous revenues. The remaining revenues of \$240,337 have been carried forward to future years.

Note 6 - 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, 2015

Description	
Grants and aid from the federal government	\$ 7,866,920
Amounts received from the State of Arizona	4,923,105
Highway user revenues in excess of those received in fiscal year 1979-80	6,186,941
Other revenues—(nonexcludable)	<u>17,967,197</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$36,944,163</u>

Of the \$4,923,105 received from the State of Arizona, \$4,783,063 was claimed as an exclusion. The remaining \$140,042 was carried forward to future years.

Note 7 - The exclusion claimed for quasi-external interfund transactions of \$9,691,763 in the Internal Service Funds consists of charges for services expended of \$2,427,691 and health plan contributions expended of \$7,264,072. The remaining \$4,330,660 which was recorded as charges for services revenues have been carried forward to future years.

Note 8 - The exclusion claimed for contracts with other political subdivisions of \$843,779 in the Governmental Funds consist of expended charges for services revenues. The remaining \$17,162 was carried forward to future years.

The exclusion claimed for contracts with other political subdivisions of \$1,974,583 in the Enterprise Funds consists of expended charges for services revenues.

Note 9 - 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>\$1,271,061</u>
Total prior years carryforward expended	<u>\$1,271,061</u>

Note 10 - The subtraction of \$112,967 and \$67,780 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise and the Internal Service Funds, respectively. The addition of \$136,312 and \$93,682 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise and Internal Service Funds, respectively.

Note 11 - The subtraction of \$956,324 for contributions to fire districts consists of distribution of taxes the County levies specifically for fire districts.

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 12 - The subtraction of \$3,811,190 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	\$ 49,618
Public safety	2,356,570
Culture and recreation	<u>1,405,002</u>
Total	<u>\$3,811,190</u>

Note 13 - The subtraction for long-term care contributions withheld by the State Treasurer 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 14 - The subtraction of \$142,413 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the costs of committing an individual the court determined to be sexually violent, as required by Laws 2014, Chapter 11, Sections 10 and 11, which were recorded as general government expenditures.

Note 15 - The addition of \$4,994 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.

