

Cochise County

Expenditure Limitation Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





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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, 2016. 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, 2017



Cochise County
Annual expenditure limitation report—part I
Year ended June 30, 2016

1. Economic Estimates Commission expenditure limitation	\$65,041,723
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>51,581,104</u>
3. Amount under the expenditure limitation	<u>\$13,460,619</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: Lynette Nowlan, Finance Director

Telephone Number: (520) 432-8370 Date: March 31, 2017

See accompanying notes to report.

Cochise County
Annual expenditure limitation report—part II
Year ended June 30, 2016

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	\$ 72,109,026	\$ 4,346,245	\$ 14,194,328	\$ 230,308,607	\$ 320,958,206
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	1,537,963		1,788,040		3,326,003
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	456,356	15,868	45,721		517,945
Trustee or custodian (Note 4)	2,591,629			230,308,607	232,900,236
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	2,451,812				2,451,812
Grants and aid from the federal government (Note 6)	5,987,703				5,987,703
Amounts received from the State of Arizona (Note 6)	4,674,368				4,674,368
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	5,860,842				5,860,842
Quasi-external interfund transactions (Note 7)			11,197,694		11,197,694
Contracts with other political subdivisions (Note 8)	270,844	2,182,598			2,453,442
Prior years carryforward (Note 9)	7,057				7,057
Total exclusions claimed	<u>23,838,574</u>	<u>2,198,466</u>	<u>13,031,455</u>	<u>230,308,607</u>	<u>269,377,102</u>
C. Amounts subject to the expenditure limitation	<u>\$ 48,270,452</u>	<u>\$ 2,147,779</u>	<u>\$ 1,162,873</u>	<u>\$ -</u>	<u>\$ 51,581,104</u>

See accompanying notes to report.

Cochise County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2016

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	\$ 85,994,361	\$ 5,078,398	\$ 13,302,696	\$ 230,308,607	\$ 334,684,062
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		702,305	1,675,423		2,377,728
Landfill closure and postclosure care costs		194,648			194,648
Pension expense (Note 10)		46,341	39,698		86,039
Contributions to fire districts (Note 11)	936,162				936,162
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 12)	5,155,516				5,155,516
Long-term care contributions withheld by the State Treasurer (Note 13)	5,165,500				5,165,500
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	2,208,904				2,208,904
Required fees/reimbursements made to Arizona state agencies (Note 14)	419,253				419,253
Total subtractions	<u>13,885,335</u>	<u>943,294</u>	<u>1,715,121</u>	<u> </u>	<u>16,543,750</u>
C. Additions:					
Principal payments on long-term debt			1,778,595		1,778,595
Acquisition of capital assets		78,880	732,580		811,460
Pension contributions paid in the current year (Note 10)		129,932	95,578		225,510
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 15)		2,329			2,329
Total additions	<u> </u>	<u>211,141</u>	<u>2,606,753</u>	<u> </u>	<u>2,817,894</u>
D. Amounts reported on part II, line A	<u>\$ 72,109,026</u>	<u>\$ 4,346,245</u>	<u>\$ 14,194,328</u>	<u>\$ 230,308,607</u>	<u>\$ 320,958,206</u>

See accompanying notes to report.

Cochise County

Notes to annual expenditure limitation report

Year ended June 30, 2016

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 \$1,537,963 in the governmental funds consists of principal and interest and other charges of \$1,521,674 and \$16,289, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$1,788,040 in the internal service funds consists of principal and interest paid on capital leases of \$1,778,595 and \$9,445, respectively.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$456,356 in the governmental funds consists of expended investment earnings. Interest on delinquent taxes of \$2,474,000, 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 \$2,591,629 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 \$230,308,607 in distributions to investment pool participants.

Cochise County
Notes to annual expenditure limitation report
Year ended June 30, 2016

Note 5

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$2,451,812 in the governmental funds, consisted of expended miscellaneous revenues. Remaining amounts of \$360,217 were 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:

Description	
Grants and aid from the federal government	\$ 5,987,703
Amounts received from the State of Arizona	4,918,768
Highway user revenues in excess of those received in fiscal year 1979-80	6,512,511
Other revenues—(nonexcludable)	<u>20,439,271</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$37,858,253</u>

Of the \$4,918,768 and \$6,512,511 of amounts received from the State of Arizona and highway user revenue fund monies from the Arizona Department of Transportation, \$4,674,368 and \$5,860,842, respectively, were claimed as an exclusion. The remaining excludable amounts of \$244,400 and \$651,669, respectively, were unspent and carried forward to future years.

Note 7

The exclusion claimed for quasi-external interfund transactions of \$11,197,694 in the internal service funds consists of charges for services expended of \$4,085,872 and health plan contributions expended of \$7,111,822. The remaining amount of \$343,644, which was recorded as charges for services revenues, has been carried forward to future years.

Note 8

The exclusion claimed for contracts with other political subdivisions of \$270,844 in governmental funds consists of charges for services expended. The remaining \$62,173 of revenues were carried forward to future years.

The exclusion claimed for contracts with other political subdivisions of \$2,182,598 in the enterprise funds consists of expended charges for services revenues.

Cochise County
Notes to annual expenditure limitation report
Year ended June 30, 2016

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	\$ 249
Amounts received from the State of Arizona	<u>6,808</u>
Total prior years carryforward expended	<u>\$7,057</u>

Note 10

The subtraction of \$46,341 and \$39,698 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 \$129,932 and \$95,578 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 \$936,162 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 12

The subtraction of \$5,155,516 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	\$ 43,518
Public safety	3,813,272
Culture and recreation	<u>1,298,726</u>
Total	<u>\$5,155,516</u>

Note 13

The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer 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, 2016

Note 14

The subtraction of \$419,253 for required fees/reimbursements paid to Arizona state agencies consists of \$246,600 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing; and \$172,653 paid to the Arizona Department of Health Services pursuant to Laws 2015, Chapter 14, Sections 8 and 9, for inpatient competency restoration treatment and committing an individual the court determined to be sexually violent, which were recorded as general government expenditures.

Note 15

The addition of \$2,329 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.

