

Cochise County

Expenditure Limitation Report
Year Ended June 30, 2017



A Report to the Arizona Legislature

Lindsey Perry
Auditor General





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LINDSEY PERRY, CPA, CFE
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, 2017, 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.

Jay Zsorey, CPA
Director, Financial Audit Division

June 28, 2018



Cochise County
Annual expenditure limitation report—part I
Year ended June 30, 2017

1. Economic Estimates Commission expenditure limitation	\$65,748,754
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>63,015,367</u>
3. Amount under the expenditure limitation	<u>\$ 2,733,387</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: June 28, 2018

See accompanying notes to report.

Cochise County
Annual expenditure limitation report—part II
Year ended June 30, 2017

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	\$ 83,697,698	\$ 9,330,403	\$ 14,740,030	\$ 206,322,484	\$ 314,090,615
B. Less exclusions claimed:					
Debt service requirements (Note 2)	1,116,035		190,267		1,306,302
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	153,426	17,435	17,280		188,141
Trustee or custodian (Note 4)	2,596,572			206,322,484	208,919,056
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	1,470,736				1,470,736
Grants and aid from the federal government (Note 6)	9,168,359				9,168,359
Amounts received from the State of Arizona (Note 6)	5,945,216				5,945,216
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	7,282,471				7,282,471
Quasi-external interfund transactions (Note 7)			13,554,716		13,554,716
Contracts with other political subdivisions (Note 8)	771,811	2,127,863			2,899,674
Prior years carryforward (Note 9)	340,577				340,577
Total exclusions claimed	<u>28,845,203</u>	<u>2,145,298</u>	<u>13,762,263</u>	<u>206,322,484</u>	<u>251,075,248</u>
C. Amounts subject to the expenditure limitation	<u>\$ 54,852,495</u>	<u>\$ 7,185,105</u>	<u>\$ 977,767</u>	<u>\$ -</u>	<u>\$ 63,015,367</u>

See accompanying notes to report.

Cochise County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2017

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	\$ 92,769,778	\$ 9,839,399	\$ 14,013,898	\$ 206,322,484	\$ 322,945,559
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		488,444	1,787,338		2,275,782
Landfill closure and postclosure care costs		197,786			197,786
Pension expense (Note 10)		7,645	25,699		33,344
Contributions to fire districts (Note 11)	888,660				888,660
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 12)	3,022,829				3,022,829
Long-term care contributions the State Treasurer withheld (Note 13)	4,995,000				4,995,000
Required fees/reimbursements made to Arizona state agencies (Note 14)	<u>165,591</u>				<u>165,591</u>
Total subtractions	<u>9,072,080</u>	<u>693,875</u>	<u>1,813,037</u>		<u>11,578,992</u>
C. Additions:					
Principal payments on long-term debt			188,288		188,288
Capital asset acquisitions		35,419	2,261,443		2,296,862
Pension contributions paid in the current year (Note 10)		147,423	89,438		236,861
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 15)		<u>2,037</u>			<u>2,037</u>
Total additions		<u>184,879</u>	<u>2,539,169</u>		<u>2,724,048</u>
D. Amounts reported on part II, line A	<u>\$ 83,697,698</u>	<u>\$ 9,330,403</u>	<u>\$ 14,740,030</u>	<u>\$ 206,322,484</u>	<u>\$ 314,090,615</u>

See accompanying notes to report.

Cochise County

Notes to annual expenditure limitation report

Year ended June 30, 2017

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 exclusion claimed for debt service requirements of \$1,116,035 in the governmental funds consists of principal and interest and other charges of \$1,104,425 and \$11,610, respectively.

The exclusion claimed for debt service requirements of \$190,267 in the internal service funds consists of principal and interest paid on capital leases of \$188,288 and \$1,979, respectively.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$153,426 in the governmental funds consists of expended investment earnings. Interest on delinquent taxes of \$1,345,591, 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 \$2,596,572 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 \$206,322,484 in distributions to investment pool participants.

Cochise County
Notes to annual expenditure limitation report
Year ended June 30, 2017

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 \$1,470,736 in the governmental funds consisted of expended donations revenues. Remaining amounts of \$1,783,197 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	\$ 9,168,359
Amounts received from the State of Arizona	6,040,574
Highway user revenues in excess of those received in fiscal year 1979-80	7,282,471
Other revenues—(nonexcludable)	<u>16,782,560</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$39,273,964</u>

Of the \$6,040,574 of amounts received from the State of Arizona, \$5,945,216 was claimed as an exclusion. The remaining excludable amounts of \$95,358 were unspent and carried forward to future years.

Note 7

The exclusion claimed for quasi-external interfund transactions of \$13,554,716 in the internal service funds consists of charges for services expended of \$5,901,131 and health plan contributions expended of \$7,653,585. The remaining amount of \$561,410, 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 \$771,811 in governmental funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$2,127,863 in the enterprise funds consists of expended charges for services revenues.

Cochise County
Notes to annual expenditure limitation report
Year ended June 30, 2017

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	\$313,610
Amounts received from the State of Arizona	<u>26,967</u>
Total prior years carryforward expended	<u>\$340,577</u>

Note 10

The subtraction of \$7,645 and \$25,699 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 \$147,423 and \$89,438 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 \$888,660 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 12

The subtraction of \$3,022,829 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	\$ 44,182
Public safety	1,876,135
Culture and recreation	<u>1,102,512</u>
Total	<u>\$3,022,829</u>

Note 13

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.

Cochise County
Notes to annual expenditure limitation report
Year ended June 30, 2017

Note 14

The subtraction of \$165,591 for required fees/reimbursements paid to Arizona state agencies consists of \$66,975 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing and \$98,616 paid to the Arizona Department of Health Services pursuant to Laws 2016, Chapter 122, Sections 16 and 17, 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 \$2,037 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.

