

**COCHISE COUNTY
REPORT ON AUDIT OF ANNUAL
EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2003**

**COCHISE COUNTY
REPORT ON AUDIT OF ANNUAL EXPENDITURE LIMITATION REPORT
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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Cochise County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Cochise County for the year ended June 30, 2003. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Cochise County for the year ended June 30, 2003, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with the Auditor General of the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

CHRISTENSEN, GALE & MCLAREN, LLP
Certified Public Accountants

April 30, 2004

COCHISE COUNTY
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2003

- | | |
|-------------------------------------------------------------------------------------|-------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ 48,226,730 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | <u>48,226,730</u> |
| 3. Amount under the expenditure limitation | \$ <u>0</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: Lois Backe, Financial Director

Telephone Number: 520-430-8381 Date: April 30, 2004

See accompanying notes to report.

COCHISE COUNTY
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2003

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Amounts reported on the Reconciliation, Line D	\$ 59,376,501	\$ 29,179,373	\$ 6,398,161	\$ 164,226,530	\$ 259,180,565
Less exclusions claimed:					
Certificate of Participation proceeds (Note 2)	578,570				578,570
Debt service requirements on other long-term obligations (Note 2)	2,393,038				2,393,038
Trustee or custodian (Note 3)	2,453,977			164,226,530	166,680,507
Grants and aid from the federal government (Note 4)	9,304,450				9,304,450
Amounts received from the State of Arizona (Note 4)	2,497,875				2,497,875
Quasi-external interfund transactions			544,287		544,287
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	5,688,742				5,688,742
Contracts with other political subdivisions (Note 5)		23,266,366			23,266,366
Prior years carryforward (Note 6)	-	-			-
Total exclusions claimed	<u>22,916,652</u>	<u>23,266,366</u>	<u>544,287</u>	<u>164,226,530</u>	<u>210,953,835</u>
Amounts subject to the expenditure limitation	<u>\$ 36,459,849</u>	<u>\$ 5,913,007</u>	<u>\$ 5,853,874</u>	<u>\$ -</u>	<u>\$ 48,226,730</u>

See accompanying notes to the report.

COCHISE COUNTY
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2003

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the annual basic financial statements	<u>\$ 66,148,274</u>	<u>\$ 28,830,032</u>	<u>\$ 6,397,385</u>	<u>\$ 164,226,530</u>	<u>\$ 265,602,221</u>
Subtractions:					
Items not requiring use of working capital:					
Landfill closure and postclosure care costs (Note 9)		180,461			180,461
Depreciation		292,012	543,511		835,523
Charges to other funds in excess of internal service fund expenses	11,639	1,012			12,651
Expenditures of separate legal entities established under Arizona Revised Statutes A.R.S.) (Note 7)	1,875,985				1,875,985
Long-term care contributions withheld by the State Treasurer (Note 8)	4,884,149				4,884,149
Total subtractions	<u>6,771,773</u>	<u>473,485</u>	<u>543,511</u>	<u>-</u>	<u>7,788,769</u>
Additions:					
Acquisition of capital assets		822,826	544,287		1,367,113
Total additions	<u>-</u>	<u>822,826</u>	<u>544,287</u>	<u>-</u>	<u>1,367,113</u>
D. Amounts reported on Part II, Line A	<u>\$ 59,376,501</u>	<u>\$ 29,179,373</u>	<u>\$ 6,398,161</u>	<u>\$ 164,226,530</u>	<u>\$ 259,180,565</u>

See accompanying notes to the report.

COCHISE COUNTY
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes Section 41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, Section 20 from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, 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 Assets for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds and the Statement of Fiduciary Net Assets for the Fiduciary Fund.

Note 2

The exclusion claimed for expenditures of proceeds from the issuance of certificates of participation consists of payments to registrars and paying agents. The exclusion claimed for debt service requirements on other long-term obligations in the governmental funds consists of principal and interest expense.

Note 3

The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,453,977 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, which is recorded in health expenditures. Additionally, in the Fiduciary Fund the exclusion consists of \$164,226,530 in distributions to participants.

COCHISE COUNTY
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 4

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. The amounts excluded do not exceed expenditures of such revenues.

Description	General Fund			Highway & Streets Fund		
	Revenues	Amount Excluded	Amount Carried Forward	Revenues	Amount Excluded	Amount Carried Forward
Grants and aid from the						
Federal Government	\$ 2,106,704	\$ 2,106,704	\$ -	\$ -	\$ -	\$ -
Amounts received from the state	550,035	550,035	-			
Highway user revenues in excess of those received in fiscal year 1979-1980	-	-	-	5,688,472	5,688,472	-
Other revenues – (nonexcludable)	10,179,989	-		3,096,255	-	
Total intergovernmental revenues as reported in the financial statements	<u>\$ 12,836,728</u>	<u>\$ 2,656,739</u>	<u>\$ -</u>	<u>\$ 8,784,727</u>	<u>\$ 5,688,472</u>	<u>\$ -</u>

Description	Other Governmental Funds			Total Governmental funds		
	Revenues	Amount Excluded	Amount Carried Forward	Revenues	Amount Excluded	Amount Carried Forward
Grants and aid from the						
Federal Government	\$ 7,197,746	\$ 7,197,746	\$ -	\$ 9,304,450	\$ 9,304,450	\$ -
Amounts received from the state	1,947,840	1,947,840	-	2,497,875	2,497,875	-
Highway user revenues in excess of those received in fiscal year 1979-1980	-	-	-	5,688,472	5,688,472	
Other revenues – (nonexcludable)				13,276,244	-	
Total intergovernmental revenues as reported in the financial statements	<u>\$ 9,145,586</u>	<u>\$ 9,145,586</u>	<u>\$ -</u>	<u>\$30,767,041</u>	<u>\$17,490,797</u>	<u>\$ -</u>

COCHISE COUNTY
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 5

The exclusion claimed for contracts with other political subdivisions of \$23,266,366 in the Enterprise funds consists of charges for services expended. Charges for services of \$352,815 have been carried forward to future years.

Note 6

Prior years' carry forward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year or carried forward as follows:

	Carry forward From Prior Years	Carry forward Generated (Applied)	Carry forward To Subsequent Years
Governmental Funds			
Dividends, interest and gains on the sale or redemption of investments of securities	\$ 3,821,626	\$ -	\$ 3,821,626
Highway user revenues in excess of those received in fiscal year 1979-1980 (Note 4)	-	-	-
Total	<u>\$ 3,821,626</u>	<u>\$ -</u>	<u>\$ 3,821,626</u>
Enterprise Funds			
Dividends, interest and gains on the sale or redemption of investments of securities	-	-	-
Charges for services (Note 5)	11,169,694	352,815	11,522,509
Total	<u>\$ 11,169,694</u>	<u>\$ 352,815</u>	<u>\$ 11,522,509</u>

COCHISE COUNTY
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 7

The subtraction of \$1,875,985 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 Estimate Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

	Other Governmental Funds
Special Assessment Districts	\$ 1,875,985
Total	\$ 1,875,985

Note 8

The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as revenue and an offsetting expenditure in the County's financial statements. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 9

The subtraction of \$180,461 for landfill closure and postclosure care costs consists of that portion of the total liability reported as expenses in the current year but not yet paid in the Enterprise Funds.