



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Cochise County

Year Ended June 30, 2013

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**Debra K. Davenport**  
Auditor General

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Cochise County  
Annual Expenditure Limitation Report  
Year Ended June 30, 2013

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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, 2013. This report is the responsibility of the County's management. 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 of Cochise County 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

May 23, 2014

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Cochise County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2013

1. Economic Estimates Commission expenditure limitation	\$63,625,169
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>63,446,109</u>
3. Amount under the expenditure limitation	<u>\$ 179,060</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 Klein, Finance Director

Telephone Number: (520) 432-8370 Date: May 23, 2014

See accompanying notes to report.

Cochise County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2013

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	\$ 79,153,071	\$ 5,310,572	\$ 16,329,958	\$ 212,862,643	\$ 313,656,244
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	993,930	31,572	69,757		1,095,259
Dividends, interest, and gains on the sale or redemption of investment securities	133,637	20,922			154,559
Trustee or custodian (Note 3)	2,575,533			212,862,643	215,438,176
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	208,816				208,816
Grants and aid from the federal government (Note 5)	8,256,869				8,256,869
Amounts received from the State of Arizona (Note 5)	5,042,332				5,042,332
Quasi-external interfund transactions (Note 6)			14,580,810		14,580,810
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	<u>5,433,314</u>				<u>5,433,314</u>
Total exclusions claimed	<u>22,644,431</u>	<u>52,494</u>	<u>14,650,567</u>	<u>212,862,643</u>	<u>250,210,135</u>
C. Amounts subject to the expenditure limitation	<u>\$ 56,508,640</u>	<u>\$ 5,258,078</u>	<u>\$ 1,679,391</u>	<u>\$ -</u>	<u>\$ 63,446,109</u>

See accompanying notes to report.

Cochise County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2013

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	\$ 87,737,000	\$ 5,507,369	\$ 14,246,379	\$ 212,862,643	\$ 320,353,391
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		432,058	1,482,588		1,914,646
Landfill closure and postclosure care costs		251,105			251,105
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	3,197,539				3,197,539
Long-term care contributions withheld by the State Treasurer (Note 8)	5,266,800				5,266,800
Payments made to reimburse the Arizona Department of Health Services (Note 9)	<u>119,590</u>				<u>119,590</u>
Total subtractions	<u>8,583,929</u>	<u>683,163</u>	<u>1,482,588</u>	<u>-</u>	<u>10,749,680</u>
C. Additions:					
Principal payments on long-term debt		29,429	66,171		95,600
Acquisition of capital assets		450,976	3,499,996		3,950,972
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 10)		<u>5,961</u>			<u>5,961</u>
Total additions		<u>486,366</u>	<u>3,566,167</u>	<u>-</u>	<u>4,052,533</u>
D. Amounts reported on Part II, Line A	<u>\$ 79,153,071</u>	<u>\$ 5,310,572</u>	<u>\$ 16,329,958</u>	<u>\$ 212,862,643</u>	<u>\$ 313,656,244</u>

See accompanying notes to report.

Cochise County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

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 \$993,930 in the Governmental Funds consists of principal and interest and other charges of \$805,330 and \$188,600, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$31,572 in the Enterprise Funds consists of principal and interest of \$29,429 and \$2,143, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$69,757 in the Internal Service Funds consists of principal and interest of \$66,171 and \$3,586, respectively.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,575,533 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs.

Note 4 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$208,816 in the Governmental Funds consisted of expended miscellaneous revenues. The remaining excludable amounts of \$611,973 were unspent and carried forward to future years.

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, and highway user revenues in the Governmental Funds:

Cochise County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

<b>Description</b>	
Grants and aid from the federal government	\$ 8,256,869
Amounts received from the State of Arizona	5,137,712
Highway user revenues in excess of those received in fiscal year 1979-80	5,433,314
Other revenues—(nonexcludable)	<u>15,695,776</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$34,523,671</u>

Of the \$5,137,712 of amounts received from the State of Arizona, \$5,042,332 was claimed as an exclusion. The remaining excludable amounts of \$95,380 were unspent and carried forward to future years.

**Note 6 -** The exclusion claimed for quasi-external interfund transactions of \$14,580,810 in the Internal Service Funds consists of charges for services expended of \$7,004,745 and health plan contributions expended of \$7,576,065.

**Note 7 -** The subtraction of \$3,197,539 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations 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:

<b>Special Assessment Districts</b>	
General government	\$ 43,908
Public safety	1,784,503
Culture and recreation	<u>1,369,128</u>
Total	<u>\$3,197,539</u>

**Note 8 -** 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.

**Note 9 -** The subtraction of \$119,590 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 commitment of an individual determined to be sexually violent by the court, as required by Laws 2012, Chapter 299, Sections 10 and 11, which were recorded as general government expenditures.

**Note 10 -** The addition of \$5,961 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.

