

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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 (report) of Cochise County for the year ended June 30, 2020, 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.

Donna Miller

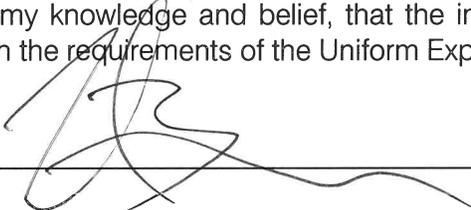
Donna Miller, CPA
Director, Financial Audit Division

June 14, 2021

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2020

1. Economic Estimates Commission expenditure limitation	\$70,157,400
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>60,863,403</u>
3. Amount under the expenditure limitation	<u>\$ 9,293,997</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: Keith Buonocore, Finance Director

Telephone number: (520) 432-8377 Date: June 14, 2021

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2020

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	\$ 91,296,407	\$ 8,343,950	\$ 13,426,004	\$ 241,367,141	\$ 354,433,502
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	1,216,070	83,389	96,449		1,395,908
Trustee or custodian (Note 3)	2,454,965			241,367,141	243,822,106
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	27,180				27,180
Grants and aid from the federal government (Note 5)	16,348,666				16,348,666
Amounts received from the State of Arizona (Note 5)	8,136,171	22,784			8,158,955
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	8,286,407				8,286,407
Quasi-external interfund transactions (Note 6)			12,484,700		12,484,700
Contracts with other political subdivisions (Note 7)	54,297	2,504,810			2,559,107
Prior years carryforward (Note 8)	<u>487,070</u>				<u>487,070</u>
Total exclusions claimed	<u>37,010,826</u>	<u>2,610,983</u>	<u>12,581,149</u>	<u>241,367,141</u>	<u>293,570,099</u>
C. Amounts subject to the expenditure limitation	<u>\$ 54,285,581</u>	<u>\$ 5,732,967</u>	<u>\$ 844,855</u>	<u>\$ -</u>	<u>\$ 60,863,403</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2020

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 100,347,978	\$ 8,501,729	\$ 15,194,936	\$ 241,367,141	\$ 365,411,784
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		355,017	2,432,782		2,787,799
Loss on disposal of capital assets			79,646		79,646
Landfill closure and postclosure care costs (Note 14)		247,901			247,901
Pension and other postemployment benefits (OPEB) expense (Note 9)	88,297	182,962	113,740		384,999
Contributions to fire districts (Note 10)	941,465				941,465
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11)	2,342,528				2,342,528
Long-term care contributions the State Treasurer withheld (Note 12)	5,176,200				5,176,200
Required fees/reimbursements made to Arizona State agencies (Note 13)	503,081				503,081
Total subtractions	<u>9,051,571</u>	<u>785,880</u>	<u>2,626,168</u>		<u>12,463,619</u>
C. Additions:					
Capital asset acquisitions		435,937	735,307		1,171,244
Pension and OPEB contributions paid in the current year (Note 9)		191,893	121,929		313,822
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 14)		271			271
Total additions		<u>628,101</u>	<u>857,236</u>		<u>1,485,337</u>
D. Amounts reported on part II, line A	<u>\$ 91,296,407</u>	<u>\$ 8,343,950</u>	<u>\$ 13,426,004</u>	<u>\$ 241,367,141</u>	<u>\$ 354,433,502</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2020

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 \$1,216,070 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds consists of expended investment earnings. Interest on delinquent taxes of \$1,249,330, which was reported as tax revenue in the governmental funds, was carried forward to future years.

Note 3

The exclusion claimed for trustee or custodian in the governmental funds consists of \$2,454,965 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 \$241,367,141 in distributions to investment pool participants.

Note 4

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual (except amounts received in lieu of taxes) of \$27,180 in the governmental funds, consists of expended donations revenues. Remaining amounts of \$320 were carried forward to future years.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020

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:

Description	
Grants and aid from the federal government	\$16,348,666
Amounts received from the State of Arizona	8,423,241
Highway user revenues in excess of those received in fiscal year 1979-80	8,286,407
Other revenues—(nonexcludable)	<u>15,254,358</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$48,312,672</u>

Of the \$8,423,241 of amounts received from the State of Arizona, \$8,136,171 was claimed as an exclusion. The remaining excludable amounts of \$287,070 were unspent and carried forward to future years.

The exclusion claimed for amounts received from the State of Arizona of \$22,784 in the enterprise funds consists of expended intergovernmental revenues.

Note 6

The exclusion claimed for quasi-external interfund transactions of \$12,484,700 in the internal service funds consists of charges for services expended of \$4,640,637 and health plan contributions expended of \$7,844,063. Remaining excludable amounts of \$1,301,694 (\$1,194,319 of unspent charges for services and \$107,375 of unspent health plan contributions) were carried forward to future years.

Note 7

The exclusion claimed for contracts with other political subdivisions of \$54,297 in governmental funds consists of charges for services expended.

The exclusion claimed for contracts with other political subdivisions of \$2,504,810 in the enterprise funds consists of expended charges for services revenues.

Note 8

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:

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020

Description	Governmental funds
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	<u>\$487,070</u>
Total prior years carryforward expended	<u>\$487,070</u>

Note 9

The subtractions of \$182,962 and \$113,740 for pension and other post employment benefit (OPEB) expense consist of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise and the internal service funds, respectively. The subtraction for pension expense of \$88,297 in the governmental funds consists of nonemployer contributions to the Elected Officials Retirement Plan (EORP) that were reported as a revenue and an offsetting expenditure in the County’s governmental funds. Consequently, this expenditure has been subtracted on the reconciliation. The \$191,893 and \$121,929 additions for pension and OPEB contributions paid in the current year consist of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds, respectively.

Note 10

The subtraction of \$941,465 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 11

The subtraction of \$2,342,528 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	\$ 45,212
Public safety	1,168,291
Culture and recreation	<u>1,129,025</u>
Total	<u>\$2,342,528</u>

Note 12

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, 2020

Note 13

The subtraction of \$503,081 for required fees/reimbursements paid to Arizona State agencies consists of \$82,849 paid to the Arizona Department of Revenue pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$420,232 paid to the Arizona Department of Health Services pursuant to Laws 2019, Chapter 270, Section 19, for inpatient competency restoration treatment, which were recorded as general government expenditures.

Note 14

The \$247,901 subtraction for landfill closure and postclosure care costs consists of the portion of the total estimated liability reported as expenses in the current year but not yet paid in the enterprise funds. The addition of \$271 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.

