

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2021

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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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, 2021, 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.

Sincerely,

Stephanie Gerber

Stephanie Gerber, CPA
Director, Financial Audit Division

June 9, 2022

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2021

1. Economic Estimates Commission expenditure limitation	\$71,394,721
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>59,617,590</u>
3. Amount under the expenditure limitation	<u>\$11,777,131</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 9, 2022

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2021

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	\$ 83,930,301	\$ 8,196,141	\$ 11,784,369	\$ 425,169,800	\$ 529,080,611
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)	79,053	23,541	11,424		114,018
Trustee or custodian (Note 3)	2,463,019			425,169,800	427,632,819
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	10,192				10,192
Grants and aid from the federal government (Note 5)	12,381,714				12,381,714
Amounts received from the State of Arizona (Note 5)	8,526,648				8,526,648
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	7,421,834				7,421,834
Quasi-external interfund transactions (Note 6)			10,893,264		10,893,264
Contracts with other political subdivisions (Note 7)	37,324	2,423,351			2,460,675
Prior years carryforward (Note 8)	21,857				21,857
Total exclusions claimed	<u>30,941,641</u>	<u>2,446,892</u>	<u>10,904,688</u>	<u>425,169,800</u>	<u>469,463,021</u>
C. Amounts subject to the expenditure limitation	<u>\$ 52,988,660</u>	<u>\$ 5,749,249</u>	<u>\$ 879,681</u>	<u>\$ -</u>	<u>\$ 59,617,590</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2021

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	\$ 93,588,137	\$ 8,852,780	\$ 13,333,254	\$ 425,169,800	\$ 540,943,971
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		388,368	2,390,247		2,778,615
Landfill closure and postclosure care costs (Note 14)		236,169			236,169
Pension and other postemployment benefits (OPEB) expense (Note 9)	360,886	245,034	148,503		754,423
Contributions to fire districts (Note 10)	967,567				967,567
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11)	2,993,541				2,993,541
Long-term care contributions the State Treasurer withheld (Note 12)	5,181,000				5,181,000
Fees/reimbursements State law required the County to pay (Note 13)	<u>154,842</u>				<u>154,842</u>
Total subtractions	<u>9,657,836</u>	<u>869,571</u>	<u>2,538,750</u>		<u>13,066,157</u>
C. Additions:					
Capital asset acquisitions			638,017		638,017
Pension and OPEB contributions paid in the current year (Note 9)		207,788	351,848		559,636
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 14)		<u>5,144</u>			<u>5,144</u>
Total additions		<u>212,932</u>	<u>989,865</u>		<u>1,202,797</u>
D. Amounts reported on part II, line A	<u>\$ 83,930,301</u>	<u>\$ 8,196,141</u>	<u>\$ 11,784,369</u>	<u>\$ 425,169,800</u>	<u>\$ 529,080,611</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2021

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 \$79,053 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 \$1,330,080, which was reported as tax revenue in the governmental funds, was carried forward to future years.

Note 3

The \$2,463,019 exclusion claimed for trustee or custodian in the governmental funds consists of County contributions 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 (except amounts received in lieu of taxes) of \$10,192 in the governmental funds consists of expended miscellaneous revenues.

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, 2021

Description	
Grants and aid from the federal government	\$12,381,714
Amounts received from the State of Arizona	9,060,950
Highway user revenues in excess of those received in fiscal year 1979-80	9,633,929
Other revenues—(nonexcludable)	<u>20,761,414</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$51,838,007</u>

Of the \$9,060,950 of amounts received from the State of Arizona, \$8,526,648 was claimed as an exclusion. The remaining excludable amounts of \$534,302 were unspent and carried forward to future years. Of the \$9,633,929 of excludable highway user revenues, \$7,421,834 was claimed as an exclusion. The remaining excludable amounts of \$2,212,095 were unspent and carried forward to future years.

Note 6

The exclusions claimed for quasi-external interfund transactions of \$10,893,264 in the internal service funds consists of charges for services expended of \$3,623,510 and health plan contributions expended of \$7,269,754. The remaining excludable charges for services amount of \$919,011 was carried forward to future years.

Note 7

The exclusions claimed for contracts with other political subdivisions of \$37,324 and \$2,423,351 in the governmental funds and the enterprise funds, respectively, consist of charges for services expended.

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:

Description	Governmental funds
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	\$ 690
Amounts received from the State of Arizona	<u>21,167</u>
Total prior years carryforward expended	<u>\$21,857</u>

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2021

Note 9

The \$245,034 and \$148,503 subtractions for pension and other post-employment benefit (OPEB) expense consist of changes in the net pension and OPEB assets and liabilities and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise and the internal service funds, respectively. The \$207,788 and \$351,848 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. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

<u>Statement of cash flows</u>	Enterprise funds	Internal service funds
Change in net pension and OPEB asset	\$ (6,705)	\$ (3,352)
Change in deferred inflows related to pensions and OPEB	(182,981)	(91,490)
Change in deferred outflows related to pensions and OPEB	(215,989)	(329,963)
Change in net pension and OPEB liability	<u>442,921</u>	<u>221,460</u>
Total	<u>\$ 37,246</u>	<u>\$ (203,345)</u>
<u>AE LR Reconciliation</u>		
Pension/OPEB contributions – addition	\$ 207,788	\$ 351,848
Pension/OPEB expense(income) – subtraction	<u>(245,034)</u>	<u>(148,503)</u>
Total	<u>\$ (37,246)</u>	<u>\$ 203,345</u>

The \$360,886 subtraction for pension expense 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.

Note 10

The subtraction of \$967,567 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 11

The \$2,993,541 subtraction 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 that are reported in the governmental funds:

Special assessment districts	
General government	\$ 44,257
Public safety	1,737,695
Culture and recreation	<u>1,211,589</u>
Total	<u>\$2,993,541</u>

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2021

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.

Note 13

The \$154,842 subtraction for required fees/reimbursements State law required the County to pay that are excluded from the county expenditure limitation consists of \$82,622 paid to the Arizona Department of Revenue pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$72,220 paid to the Arizona Department of Health Services pursuant to A.R.S. §13-4512 for inpatient competency restoration treatment, which were recorded as general government expenditures.

Note 14

The \$236,169 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 \$5,144 addition 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.

