



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Cochise County

Year Ended June 30, 2004



Debra K. Davenport
Auditor General

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Cochise County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2004

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

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, 2004. 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, 2004, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

July 27, 2005

Cochise County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2004

1. Economic Estimates Commission expenditure limitation	\$53,806,448
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>48,073,191</u>
3. Amount under the expenditure limitation	<u>\$ 5,733,257</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, Director of Finance

Telephone Number: (520) 432-8370 Date: _____

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2004

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	\$ 73,105,968	\$ 34,825,210	\$ 7,647,966	\$ 177,164,316	\$ 292,743,460
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	442,798	17,905			460,703
Dividends, interest, and gains on the sale or redemption of investment securities	167,264	98,683	6,063		272,010
Trustee or custodian (Note 3)	2,214,758			177,164,316	179,379,074
Grants and aid from the federal government (Note 4)	8,729,325				8,729,325
Amounts received from the State of Arizona (Note 4)	4,391,193				4,391,193
Quasi-external interfund transactions (Note 5)			7,137,063		7,137,063
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	6,347,687				6,347,687
Contracts with other political subdivisions (Note 6)		29,481,792			29,481,792
Prior years carryforward (Note 7)	<u>8,471,422</u>				<u>8,471,422</u>
Total exclusions claimed	<u>30,764,447</u>	<u>29,598,380</u>	<u>7,143,126</u>	<u>177,164,316</u>	<u>244,670,269</u>
C. Amounts subject to the expenditure limitation	<u>\$ 42,341,521</u>	<u>\$ 5,226,830</u>	<u>\$ 504,840</u>	<u>\$ -</u>	<u>\$ 48,073,191</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2004

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	\$ 80,187,500	\$ 32,974,909	\$ 7,270,672	\$ 177,164,316	\$ 297,597,397
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		381,809	562,665		944,474
Loss on disposal of capital assets		1,402			1,402
Landfill closure and postclosure care costs		207,045			207,045
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 8)	2,058,480				2,058,480
Long-term care contributions withheld by the State Treasurer (Note 9)	4,635,654				4,635,654
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>387,398</u>				<u>387,398</u>
Total subtractions	<u>7,081,532</u>	<u>590,256</u>	<u>562,665</u>		<u>8,234,453</u>
C. Additions:					
Principal payments on long-term debt		14,364			14,364
Acquisition of capital assets		<u>2,426,193</u>	<u>939,959</u>		<u>3,366,152</u>
Total additions		<u>2,440,557</u>	<u>939,959</u>		<u>3,380,516</u>
D. Amounts reported on Part II, Line A	<u>\$ 73,105,968</u>	<u>\$ 34,825,210</u>	<u>\$ 7,647,966</u>	<u>\$ 177,164,316</u>	<u>\$ 292,743,460</u>

See accompanying notes to report.

Cochise County
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2004

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 §41-1279.07, which 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 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 Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusions claimed for debt service requirements on other long-term obligations in the Governmental and Enterprise Funds consist of principal retirement and interest expense.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,214,758 in contributions by the County to the Arizona Health Care Cost Containment System for acute care.

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:

Description	
Grants and aid from the federal government	\$ 8,729,325
Amounts received from the State of Arizona	4,391,193
Highway user revenues in excess of those received in fiscal year 1979-1980	6,347,687
Other revenues—(nonexcludable)	<u>14,846,651</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$34,314,856</u>

Note 5 - The exclusion claimed for quasi-external interfund transactions of \$7,137,063 in the Internal Service Funds consists of charges for services expended of \$1,837,210 and health plan contributions expended of \$5,299,853.

Cochise County
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2004

Note 6 - The exclusion claimed for contracts with other political subdivisions of \$29,481,792 in the Enterprise Funds consists of charges for services expended.

Note 7 - 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:

	Governmental <u>Funds</u>
Proceeds from other long-term obligations	\$8,471,422

Note 8 - The subtraction of \$2,058,480 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:

Special Assessment Districts	
General government	\$ 35,235
Public safety	1,073,278
Culture and recreation	<u>949,967</u>
Total	<u>\$2,058,480</u>

Note 9 - 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 a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.