



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Cochise County

Year Ended June 30, 2012



Debra K. Davenport
Auditor General

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Cochise County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2012

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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 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, 2012. 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, 2012, 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, the Board of Supervisors, management, and others within the County, 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.

Jay Zsorey, CPA
Financial Audit Director

May 28, 2013

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Cochise County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2012

1. Economic Estimates Commission expenditure limitation	\$62,768,726
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>62,406,545</u>
3. Amount under the expenditure limitation	<u>\$ 362,181</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: May 28, 2013

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2012

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 Reconciliation, Line D	\$ 80,073,184	\$ 13,023,434	\$ 15,271,618	\$ 214,674,685	\$ 323,042,921
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	991,896	31,572	123,396		1,146,864
Dividends, interest, and gains on the sale or redemption of investment securities	280,313	18,211	25,104		323,628
Trustee or custodian (Note 3)	2,571,844			214,674,685	217,246,529
Grants and aid from the federal government (Note 4)	8,674,074				8,674,074
Amounts received from the State of Arizona (Note 4)	5,329,642				5,329,642
Quasi-external interfund transactions (Note 5)			14,121,968		14,121,968
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	5,442,535				5,442,535
Contracts with other political subdivisions (Note 6)	<u> </u>	<u>8,351,136</u>	<u> </u>	<u> </u>	<u>8,351,136</u>
Total exclusions claimed	<u>23,290,304</u>	<u>8,400,919</u>	<u>14,270,468</u>	<u>214,674,685</u>	<u>260,636,376</u>
C. Amounts subject to the expenditure limitation	<u>\$ 56,782,880</u>	<u>\$ 4,622,515</u>	<u>\$ 1,001,150</u>	<u>\$ -</u>	<u>\$ 62,406,545</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2012

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	\$ 89,018,254	\$ 13,678,925	\$ 14,566,816	\$ 214,674,685	\$ 331,938,680
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		466,388	1,445,526		1,911,914
Landfill closure and postclosure care costs		275,415			275,415
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	3,595,139				3,595,139
Long-term care contributions withheld by the State Treasurer (Note 8)	5,309,100				5,309,100
Payments made to reimburse the Arizona Department of Health Services (Note 9)	<u>40,831</u>				<u>40,831</u>
Total subtractions	<u>8,945,070</u>	<u>741,803</u>	<u>1,445,526</u>		<u>11,132,399</u>
C. Additions:					
Principal payments on long-term debt		28,270	115,235		143,505
Acquisition of capital assets		44,922	2,035,093		2,080,015
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 10)		<u>13,120</u>			<u>13,120</u>
Total additions		<u>86,312</u>	<u>2,150,328</u>		<u>2,236,640</u>
D. Amounts reported on Part II, Line A	<u>\$ 80,073,184</u>	<u>\$ 13,023,434</u>	<u>\$ 15,271,618</u>	<u>\$ 214,674,685</u>	<u>\$ 323,042,921</u>

See accompanying notes to report.

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report is presented on the basis of accounting prescribed by the uniform expenditure reporting system, 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 reporting requirements, a note to the report 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 exclusion claimed for debt service requirements on other long-term obligations of \$991,896 in the Governmental Funds consists of principal and interest and other charges of \$766,582 and \$225,314, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$31,572 in the Enterprise Funds consists of principal paid on capital leases and interest paid on capital leases of \$28,270 and \$3,302, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$123,396 in the Internal Service Funds consists of principal paid on capital leases and interest paid on capital leases of \$115,235 and \$8,161, respectively.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,571,844 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs.

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:

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Description	
Grants and aid from the federal government	\$ 8,674,074
Amounts received from the State of Arizona	5,329,642
Highway user revenues in excess of those received in fiscal year 1979-80	5,442,535
Other revenues—(nonexcludable)	<u>15,385,874</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$34,832,125</u>

Note 5 - The exclusion claimed for quasi-external interfund transactions of \$14,121,968 in the Internal Service Funds consists of charges for services expended of \$6,583,157 and health plan contributions expended of \$7,538,811.

Note 6 - The exclusion claimed for contracts with other political subdivisions of \$8,351,136 in the Enterprise Funds consists of charges for services expended.

Note 7 - The subtraction of \$3,595,139 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	\$ 43,177
Public safety	2,109,395
Culture and recreation	<u>1,442,567</u>
Total	<u>\$3,595,139</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 \$40,831 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 2011, Chapter 31, Sections 20 and 21, which were recorded as general government expenditures.

Note 10 - The addition of \$13,120 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.

