



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Cochise County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

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Cochise County
Annual Expenditure Limitation Report
Year Ended June 30, 2014

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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, 2014. 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

February 26, 2015

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Cochise County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2014

1. Economic Estimates Commission expenditure limitation	\$64,910,352
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>62,234,243</u>
3. Amount under the expenditure limitation	<u>\$ 2,676,109</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: February 26, 2015

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2014

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	\$ 84,383,352	\$ 4,961,360	\$ 14,567,359	\$ 203,547,349	\$ 307,459,420
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	3,424,812	31,572	23,720		3,480,104
Dividends, interest, and gains on the sale or redemption of investment securities	653,439	5,345	52,370		711,154
Trustee or custodian (Note 3)	2,580,624			203,547,349	206,127,973
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	2,419,795				2,419,795
Grants and aid from the federal government (Note 5)	7,821,265				7,821,265
Amounts received from the State of Arizona (Note 5)	4,919,956				4,919,956
Quasi-external interfund transactions (Note 6)			13,583,936		13,583,936
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	5,610,808				5,610,808
Prior years carryforward (Note 7)	<u>550,186</u>				<u>550,186</u>
Total exclusions claimed	<u>27,980,885</u>	<u>36,917</u>	<u>13,660,026</u>	<u>203,547,349</u>	<u>245,225,177</u>
C. Amounts subject to the expenditure limitation	<u>\$ 56,402,467</u>	<u>\$ 4,924,443</u>	<u>\$ 907,333</u>	<u>\$ -</u>	<u>\$ 62,234,243</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2014

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	\$ 94,493,306	\$ 5,265,047	\$ 13,859,908	\$ 203,547,349	\$ 317,165,610
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		612,479	1,489,470		2,101,949
Landfill closure and postclosure care costs		258,629			258,629
Contributions to fire districts (Note 8)	942,944				942,944
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 9)	3,929,178				3,929,178
Long-term care contributions withheld by the State Treasurer (Note 10)	5,179,900				5,179,900
Payments made to reimburse the Arizona Department of Health Services (Note 11)	<u>57,932</u>				<u>57,932</u>
Total subtractions	<u>10,109,954</u>	<u>871,108</u>	<u>1,489,470</u>		<u>12,470,532</u>
C. Additions:					
Principal payments on long-term debt		30,636	23,017		53,653
Acquisition of capital assets		515,464	2,173,904		2,689,368
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 12)		<u>21,321</u>			<u>21,321</u>
Total additions		<u>567,421</u>	<u>2,196,921</u>		<u>2,764,342</u>
D. Amounts reported on Part II, Line A	<u>\$ 84,383,352</u>	<u>\$ 4,961,360</u>	<u>\$ 14,567,359</u>	<u>\$ 203,547,349</u>	<u>\$ 307,459,420</u>

See accompanying notes to report.

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

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 \$3,424,812 in the Governmental Funds consists of principal and interest of \$3,264,231 and \$160,581, 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 \$30,636 and \$936, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$23,720 in the Internal Service Funds consists of principal paid on capital leases and interest paid on capital leases of \$23,017 and \$703, respectively.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,580,624 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, except amount received in lieu of taxes of \$2,419,795 in the Governmental Funds consisted 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, 2014

Description	
Grants and aid from the federal government	\$ 7,821,265
Amounts received from the State of Arizona	5,003,378
Highway user revenues in excess of those received in fiscal year 1979-80	5,610,808
Other revenues—(nonexcludable)	<u>16,244,419</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$34,679,870</u>

Of the \$5,003,378 of amounts received from the State of Arizona, \$4,919,956 was claimed as an exclusion. The remaining \$83,422 was carried forward to future years.

Note 6 - The exclusion claimed for quasi-external interfund transactions of \$13,583,936 in the Internal Service Funds consists of charges for services expended of \$6,281,430 and charges for health insurance expended of \$7,302,506.

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:

Description	Governmental Funds
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	<u>\$550,186</u>
Total prior years carryforward expended	<u>\$550,186</u>

Note 8 - The subtraction of \$942,944 for contributions to fire districts consists of the distribution of taxes the County levies specifically for fire districts.

Note 9 - The subtraction of \$3,929,178 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:

Special Assessment Districts	
General government	\$ 42,262
Public safety	2,462,949
Culture and recreation	<u>1,423,967</u>
Total	<u>\$3,929,178</u>

Cochise County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

- Note 10 - 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 11 - The subtraction of \$57,932 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 committing an individual the court determined to be sexually violent, as required by Laws 2013, 1st Special Session, Chapter 10, Sections 17 and 18, which were recorded as general government expenditures.
- Note 12 - The addition of \$21,321 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.

