

Cochise County

Annual Expenditure
Limitation Report

Year Ended June 30, 2023



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, 2023, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

July 10, 2024

Cochise County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2023

1. Economic Estimates Commission expenditure limitation	\$71,942,046
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>61,341,609</u>
3. Amount under the expenditure limitation	<u>\$10,600,437</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: Monica Miranda

Name and title: Monica Miranda, Finance Director

Telephone number: (520) 432-8370 Date: July 10, 2024

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2023

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	\$105,448,222	\$ 11,142,747	\$ 16,391,491	\$ 486,054,996	\$ 619,037,456
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities (Note 2)			12,982		12,982
Trustee or custodian (Note 3)	2,294,788			486,054,996	488,349,784
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 4)	182,467				182,467
Grants and aid from the federal government (Note 5)	19,051,461	5,212,875			24,264,336
Amounts received from the State of Arizona (Note 5)	13,255,273	51,361			13,306,634
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	9,590,790				9,590,790
Quasi-external interfund transactions (Note 6)			15,615,350		15,615,350
Contracts with other political subdivisions (Note 7)	26,986	2,477,938			2,504,924
Prior years carryforward (Note 8)	267,099		599,182		866,281
Amounts received for distribution to school districts (Note 9)	<u>3,002,299</u>				<u>3,002,299</u>
Total exclusions claimed	<u>47,671,163</u>	<u>7,742,174</u>	<u>16,227,514</u>	<u>486,054,996</u>	<u>557,695,847</u>
C. Amounts subject to the expenditure limitation	<u>\$ 57,777,059</u>	<u>\$ 3,400,573</u>	<u>\$ 163,977</u>	<u>\$ -</u>	<u>\$ 61,341,609</u>

See accompanying notes to report.

Cochise County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2023

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	\$ 116,776,601	\$ 11,310,865	\$ 15,438,369	\$ 486,054,996	\$ 629,580,831
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation/amortization		422,907	2,225,026		2,647,933
Pension and other postemployment benefits (OPEB) expense (Note 10)	412,590	212,739	105,198		730,527
Landfill closure and postclosure care costs (Note 14)		563,542			563,542
Contributions to fire districts (Note 11)	1,018,356				1,018,356
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 12)	3,054,467				3,054,467
Long-term care contributions the State Treasurer withheld (Note 13)	6,320,300				6,320,300
Fees/reimbursements State law required the County to pay (Note 16)	139,817				139,817
Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement, (SBITA) contract payments recorded as expenditures at the agreements' inception (Note 17)	382,849				382,849
Total subtractions	<u>11,328,379</u>	<u>1,199,188</u>	<u>2,330,224</u>		<u>14,857,791</u>
C. Additions:					
Capital asset acquisitions		814,961	3,172,584		3,987,545
Pension and OPEB contributions paid in the current year (Note 10)		214,502	110,762		325,264
Amounts paid in the current year but reported as expenses in previous years:					
Landfill closure and postclosure care costs (Note 14)		1,607			1,607
Total additions		<u>1,031,070</u>	<u>3,283,346</u>		<u>4,314,416</u>
D. Amounts reported on part II, line A	<u>\$ 105,448,222</u>	<u>\$ 11,142,747</u>	<u>\$ 16,391,491</u>	<u>\$ 486,054,996</u>	<u>\$ 619,037,456</u>

See accompanying notes to report.

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2023

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 \$12,982 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the internal service funds consists of expended investment earnings. Interest on delinquent taxes of \$1,169,756, which was reported as tax revenue in the governmental funds, remained unspent and was carried forward to future years.

Note 3

The \$2,294,788 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, and in the fiduciary funds, the \$486,054,996 exclusion consists of \$286,946,918, \$105,312,383, \$86,627,307, \$5,269,335, \$420,970 and \$1,478,083 in distributions to investment pool participants, distributions to other governments, property tax distributions to other governments, fines and fees distributions to other governments, payments to inmates, and other distributions, respectively.

Note 4

The \$182,467 exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual (except amounts received in lieu of taxes) in the governmental funds consists of expended donations revenues, which are reported within miscellaneous revenues.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

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 and enterprise funds:

Description	
Governmental funds	
Grants and aid from the federal government	\$19,051,461
Amounts received from the State of Arizona	13,255,273
Highway user revenues in excess of those received in fiscal year 1979-80	9,590,790
Nonexcludable revenues	30,958,123
Unspent, excludable revenues carried forward	<u>2,589,487</u>
Total intergovernmental revenues as reported in the fund financial statements	<u><u>\$75,454,134</u></u>
Enterprise funds	
Grants and aid from the federal government	\$ 5,212,875
Amounts received from the State of Arizona	51,361
Nonexcludable revenues	<u>286,396</u>
Total intergovernmental revenues as reported in the fund financial statements	<u><u>\$ 5,550,632</u></u>

The remaining excludable amount in the governmental funds of \$2,598,487 were unspent amounts received from the State of Arizona, and carried forward to future years.

Note 6

The \$15,615,350 exclusion claimed for quasi-external interfund transactions in the internal service funds consists of charges for services expended of \$7,995,340 and health plan contributions expended of \$7,620,010. The remaining excludable charges for services amount of \$202,060 and the remaining excludable health plan contribution amount of \$171,938 was unspent and carried forward to future years.

Note 7

The \$26,986 exclusion claimed in the governmental funds and the \$2,477,938 exclusion claimed in the enterprise funds, for contracts with other political subdivisions, respectively, consist of charges for services expended.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

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	Internal Service Funds
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	\$ 19,245	
Amounts received from the State of Arizona	247,854	
Quasi-external interfund transactions		<u>\$599,182</u>
Total prior years carryforward expended	<u>\$267,099</u>	<u>\$599,182</u>

Note 9

The exclusion of \$3,002,299 claimed for amounts received for distribution to school districts consists of federal, State, and county revenues recorded as education expenditures for operating an accommodation school.

Note 10

The \$212,739 and \$105,198 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 \$214,502 and \$110,762 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	\$ (8,915)	\$ (4,457)
Change in deferred inflows related to pensions and OPEB	(566,580)	(283,291)
Change in deferred outflows related to pensions and OPEB	151,705	71,170
Change in net pension and OPEB liability	<u>422,027</u>	<u>211,014</u>
Total	<u>\$ (1,763)</u>	<u>\$ (5,564)</u>
 <u>AELR Reconciliation</u>		
Pension/OPEB contributions – addition	\$ 214,502	\$ 110,762
Pension/OPEB expense (income) – subtraction	<u>(212,739)</u>	<u>(105,198)</u>
Total	<u>\$ 1,763</u>	<u>\$ 5,564</u>

Cochise County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2023

The \$412,590 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 11

The subtraction of \$1,018,356 for contributions to fire districts in the governmental funds consists of the distribution of taxes the County levies specifically for fire districts, which are reported under public safety.

Note 12

The \$3,054,467 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	\$ 49,045
Public safety	1,727,266
Culture and recreation	<u>1,278,156</u>
Total	<u>\$3,054,467</u>

Note 13

The \$6,320,300 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 14

The \$563,542 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 \$1,607 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.

Note 15

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the accumulated revenue sources and their balances is shown in the table on the following page. The reduction amounts for "Amounts received from the State of Arizona" includes prior year carryforward of \$115,180 that was expended and not excluded and therefore, no longer available for exclusion.

Cochise County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

Description	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Dividends, interest, and gains on the sale or redemption of investment securities	\$11,502,871	\$1,169,756		\$12,672,627
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	161,765		\$ 19,245	142,520
Amounts received from the State of Arizona	2,255,863	2,598,487	363,034	4,491,316
Quasi-external interfund transactions	6,967,226	373,998	599,182	6,742,042
Highway user revenues in excess of those received in fiscal year 1979-80	<u>3,923,103</u>			<u>3,923,103</u>
Total carryforward	<u>\$24,810,828</u>	<u>\$4,142,241</u>	<u>\$981,461</u>	<u>\$27,971,608</u>

Note 16

The \$139,817 subtraction for required fees/reimbursements State law required the County to pay that are excluded from the county expenditure limitation consists of \$18,500 paid to the Arizona Department of Revenue pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$94,409 paid to the Arizona State Hospital and \$26,908 paid to the Arizona Department of Health and Services both pursuant to A.R.S. §13-4512 for inpatient competency restoration treatment, which were recorded as general governmental expenditures.

Note 17

The \$382,849 subtraction for the present value of net minimum lease, financed purchased, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception, consists of new leases recorded of \$180,525 and new SBITAs recorded of \$202,324 in the governmental funds.

