



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2007

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pima County for the year ended June 30, 2007. 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 Pima County for the year ended June 30, 2007, 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

September 24, 2008

Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2007
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$438,129
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	438,128
3. Amount under the expenditure limitation	<u>\$ 1</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: Thomas Burke, Finance Director

Telephone Number: (520) 740-3030 Date: September 24, 2008

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2007
(Amounts in Thousands)

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	\$ 795,125	\$ 409,658	\$ 39,724	\$ 2,345,253	\$ 3,589,760
B. Less exclusions claimed:					
Bond proceeds (Note 2)	101,227	30,933			132,160
Debt service requirements on bonded indebtedness (Note 3)	68,618	11,579			80,197
Proceeds from other long-term obligations (Note 4)	24,969	1,429			26,398
Debt service requirements on other long-term obligations (Note 5)	3,123	8,280			11,403
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	15,374	5,556	2,418		23,348
Trustee or custodian (Note 7)	20,258			2,345,253	2,365,511
Grants and aid from the federal government (Notes 8 and 9)	38,631	9,273			47,904
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	2,497	147			2,644
Amounts received from the State of Arizona (Notes 8 and 11)	53,577	2,619			56,196
Quasi-external interfund transactions (Note 12)	15,672	565	34,462		50,699
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	40,976				40,976
Contracts with other political subdivisions (Notes 8 and 13)	18,375	252,648	1,094		272,117
Prior years carryforward (Note 14)	<u>40,196</u>	<u>352</u>	<u>1,531</u>		<u>42,079</u>
Total exclusions claimed	<u>443,493</u>	<u>323,381</u>	<u>39,505</u>	<u>2,345,253</u>	<u>3,151,632</u>
C. Amounts subject to the expenditure limitation	<u>\$ 351,632</u>	<u>\$ 86,277</u>	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 438,128</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2007
(Amounts in Thousands)

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	\$893,332	\$377,827	\$36,384	\$2,345,253	\$3,652,796
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		23,844	2,579		26,423
Amortization of deferred charges		109			109
Loss on disposal of capital assets		1,601	21		1,622
Bad debt expense (Note 15)		381			381
Claims that were reported but unpaid, or incurred but not reported (Note 16)			8,118		8,118
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	57,903				57,903
Long-term care contributions withheld by the State Treasurer (Note 18)	40,304				40,304
Involuntary court judgements (Note 19)			218		218
Total subtractions	<u>98,207</u>	<u>25,935</u>	<u>10,936</u>		<u>135,078</u>
C. Additions:					
Principal payments on long-term debt (Note 20)		13,738			13,738
Acquisition of capital assets		44,028	3,507		47,535
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)			10,769		10,769
Total additions		<u>57,766</u>	<u>14,276</u>		<u>72,042</u>
D. Amounts reported on Part II, Line A	<u>\$795,125</u>	<u>\$409,658</u>	<u>\$39,724</u>	<u>\$2,345,253</u>	<u>\$3,589,760</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts in Thousands)

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 exclusion claimed for bond proceeds of \$101,227 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$95,000 and from transportation revenue bond proceeds of \$21,000. Remaining amounts of \$14,773 have been carried forward to future years.

The exclusion claimed for bond proceeds of \$30,933 in the Enterprise Funds consists of expenditures made from sewer revenue bond proceeds of \$50,000. Remaining amounts of \$19,067 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$68,618 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$50,940, \$17,672, and \$6, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$11,579 in the Enterprise Funds consists of \$8,235 and \$3,344 in Wastewater Management sewer revenue bonds principal and interest expense, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$24,969 in the Governmental Funds consists of expenditures made from certificates of participation proceeds and premiums of \$30,320 and \$1,427, respectively. Remaining amounts of \$6,778 have been carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts in Thousands)

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,123 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$1,882, \$1,235, and \$6, respectively, for capital leases.

The exclusion claimed for debt service requirements on other long-term obligations of \$8,280 in the Enterprise Funds consists of principal payments of \$5,503 and interest expense of \$2,777 on Wastewater Management long-term loans payable.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$15,374 in Governmental Funds includes interest on investments expended of \$10,986 and interest on delinquent taxes expended of \$4,388, which was reported as tax revenue. Of the total investment earnings revenues of \$13,988 in the Governmental Funds, \$1,144 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,858 have been carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$20,258 consists of \$14,952 in county contributions to the Arizona Health Care Cost Containment System for acute care, expenditures of antiracketeering revenues benefiting other jurisdictions totaling \$3,635, of which \$3,310 was excluded and \$325 was carried forward to future years, and expenditures of sheriff commissary revenues of \$1,996 benefitting inmates.

Note 8 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the Governmental Funds. The amounts excluded do not exceed expenditures of such revenues.

Description	
Grants and aid from the federal government	\$ 40,113
Amounts received from the State of Arizona	53,579
Highway user revenues in excess of those received in fiscal year 1979-80	53,904
Contracts with other political subdivisions	18,989
Other revenues—(nonexcludable)	<u>136,807</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$303,392</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts in Thousands)

Of the \$40,113 of grants and aid from the federal government, \$1,482 was carried forward to future years. Of the \$53,579 of amounts received from the State of Arizona, \$2 was carried forward to future years. Of the \$53,904 of highway user revenues, \$40,976 was excluded and \$10,123 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$2,805 was carried forward to future years. Of the \$18,989 of contracts with other political subdivisions, \$614 was carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$9,273 in the Enterprise Funds consists of expended intergovernmental revenues, which were reported as nonoperating revenues.

Note 10 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$2,497 in the Governmental Funds consists of expended charges for service revenues of \$903 and miscellaneous revenues of \$1,594.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$147 in the Enterprise Funds consists of expended other revenues.

Note 11 - The exclusion claimed for amounts received from the State of Arizona of \$2,619 in the Enterprise Funds consists of expended net patient services revenues.

Note 12 - The exclusion claimed for quasi-external interfund transactions of \$15,672 in the Governmental Funds consists of expended charges for services revenues of \$14,758 and miscellaneous revenues of \$914.

The exclusion claimed for quasi-external interfund transactions of \$565 in the Enterprise Funds consists of expended net patient services revenues of \$107 and charges for services revenues of \$458.

The exclusion claimed for quasi-external interfund transactions of \$34,462 in the Internal Service Funds consists of expended charges for services revenues of \$38,126, of which \$37,278 is excludable. The remaining \$2,816 of revenues has been carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts in Thousands)

Note 13 - The exclusion claimed for contracts with other political subdivisions of \$252,648 in the Enterprise Funds consists of expended net patient services revenues of \$252,549 and other revenues of \$99.

The exclusion claimed for contracts with other political subdivisions of \$1,094 in the Internal Service Funds consists of expended other revenues.

Note 14 - 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	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Bond proceeds	\$27,650		
Dividends, interest, and gains on the sale or redemption of investment securities	4,818	\$352	\$1,531
Trustee or custodian	2,994		
Highway user revenues in excess of those received in fiscal year 1979-80	<u>4,734</u>		
Total prior years carry forward expended	<u>\$40,196</u>	<u>\$352</u>	<u>\$1,531</u>

Note 15 - The subtraction for bad debt expense in the Enterprise Funds of \$381 is reported in the Wastewater Management Fund's general and administrative expenses.

Note 16 - The subtraction of \$8,118 for claims that were reported but unpaid or incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds. The addition of \$10,769 for claims paid in the current year consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

Note 17 - The subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special 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:

	<u>Flood Control District</u>	<u>Stadium District</u>	<u>Library District</u>	<u>Special Districts</u>	<u>Total</u>
Public safety	\$14,325				\$14,325
Culture and recreation		\$2,530	\$27,529		30,059
Principal				\$ 911	911
Interest				58	58
Capital outlay	<u>11,842</u>		<u>485</u>	<u>223</u>	<u>12,550</u>
Total	<u>\$26,167</u>	<u>\$2,530</u>	<u>\$28,014</u>	<u>\$1,192</u>	<u>\$57,903</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts in Thousands)

- Note 18 - 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 19 - The subtraction of \$218 for involuntary court judgments or involuntary settlements in the Internal Service Funds are payments made for the settlement of court claims against Pima County that were incurred and paid in the current year. These settlements are reported as general and administrative expenses.
- Note 20 - The addition of \$13,738 for principal payments on long-term debt in the Enterprise Funds consists of \$8,235 in sewer revenue bond payments and \$5,503 in loan payments.