



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

# Pima County

Year Ended June 30, 2011



**Debra K. Davenport**  
Auditor General

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Pima County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2011

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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  
Pima County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pima County for the year ended June 30, 2011. 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, 2011, 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

August 30, 2012

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Pima County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2011  
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$516,347
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>501,242</u>
3. Amount under the expenditure limitation	<u>\$ 15,105</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: August 22, 2012

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2011  
(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	\$ 800,700	\$ 473,389	\$ 35,005	\$ 2,781,934	\$ 4,091,028
B. Less exclusions claimed:					
Bond proceeds (Note 2)	16,706	45,139			61,845
Debt service requirements on bonded indebtedness (Note 3)	72,662	19,535			92,197
Debt service requirements on other long-term obligations (Note 4)	29,778	11,457			41,235
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	203		512		715
Trustee or custodian (Note 6)	23,382			2,781,934	2,805,316
Grants and aid from the federal government (Notes 7 and 8)	68,181	2,887			71,068
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 9)	1,020				1,020
Amounts received from the State of Arizona (Notes 7 and 10)	32,569	1,847			34,416
Quasi-external interfund transactions (Note 11)	49	98	32,346		32,493
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	29,344				29,344
Contracts with other political subdivisions (Notes 7 and 12)	32,261	194,804	1,167		228,232
Prior years carryforward (Note 13)	<u>72,756</u>	<u>119,149</u>	<u>          </u>	<u>          </u>	<u>191,905</u>
Total exclusions claimed	<u>378,911</u>	<u>394,916</u>	<u>34,025</u>	<u>2,781,934</u>	<u>3,589,786</u>
C. Amounts subject to the expenditure limitation	<u>\$ 421,789</u>	<u>\$ 78,473</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 501,242</u>

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2011  
(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	\$ 883,481	\$ 323,205	\$ 36,728	\$ 2,781,934	\$ 4,025,348
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		32,022	2,746		34,768
Amortization of deferred charges		750			750
Loss on disposal of capital assets		596	188		784
Bad debt expense (Note 18)		401			401
Claims that were reported but unpaid, or incurred but not reported (Note 14)			9,099		9,099
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	54,276				54,276
Long-term care contributions withheld by the State Treasurer (Note 16)	28,140				28,140
Payments made to reimburse the Arizona Department of Health Services (Note 17)	365				365
Total subtractions	<u>82,781</u>	<u>33,769</u>	<u>12,033</u>		<u>128,583</u>
C. Additions:					
Principal payments on long-term debt (Note 19)		66,616			66,616
Acquisition of capital assets		117,337	3,628		120,965
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)			6,682		6,682
Total additions		<u>183,953</u>	<u>10,310</u>		<u>194,263</u>
D. Amounts reported on Part II, Line A	<u>\$ 800,700</u>	<u>\$ 473,389</u>	<u>\$ 35,005</u>	<u>\$ 2,781,934</u>	<u>\$ 4,091,028</u>

See accompanying notes to report.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011  
(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 \$16,706 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$75,000 reported as the face amount of long-term debt. Unexpended bond proceeds of \$58,294 have been carried forward to future years.

The exclusion claimed for bond proceeds of \$45,139 in the Enterprise Funds consists of payments made from sewer revenue bond proceeds and premiums of \$45,669 to retire loans payable and previously issued bonds as part of the refunding process.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$72,662 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$50,775, \$21,883, and \$4, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$19,535 in the Enterprise Funds consists of \$13,425 and \$6,110 in Regional Wastewater Reclamation Department (RWRD) sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$29,778 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$25,586, \$4,175, and \$17, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$11,457 in the Enterprise Funds consists of principal and interest of \$8,052 and \$3,405, respectively, on Regional Wastewater Reclamation Department long-term loans payable.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011  
(Amounts in Thousands)

- Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$203 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$1,723 in the Governmental Funds, \$240 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,280 have been carried forward to future years.
- Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$23,382, consists of \$17,382 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, administrative costs, and transfers to the State General Fund of \$6,000.
- Note 7 - 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.

<b>Description</b>	
Grants and aid from the federal government	\$ 68,181
Amounts received from the State of Arizona	35,622
Highway user revenues in excess of those received in fiscal year 1979-80	45,726
Contracts with other political subdivisions	41,710
Other revenues—(nonexcludable)	<u>116,980</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$308,219</u>

Of the \$35,622 in amounts received from the State of Arizona, \$32,569 was claimed as an exclusion. The remaining \$3,053 was carried forward to future years. Of the \$45,726 in highway user revenues, \$29,344 was excluded; \$13,617 was transferred, spent, and excluded as debt service requirements on bonded indebtedness; and \$2,765 was carried forward to future years. Of the \$41,710 in contracts with other political subdivisions, \$9,449 was carried forward to future years.

- Note 8 - The exclusion claimed for grants and aid from the federal government of \$2,887 in the Enterprise Funds consists of expended intergovernmental revenues.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011  
(Amounts in Thousands)

Note 9 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$1,020 in the Governmental Funds consists of expended miscellaneous revenues. Remaining amounts of \$305 were carried forward to future years.

Note 10 - The exclusion claimed for amounts received from the State of Arizona of \$1,847 in the Enterprise Funds consists of expended intergovernmental revenues.

Note 11 - The exclusion claimed for quasi-external interfund transactions of \$49 in the Governmental Funds consist of expenditures of charges for services revenues totaling \$16,489, of which \$16,440 were carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$98 in the Enterprise Funds consists of expended net patient services revenues.

The exclusion claimed for quasi-external interfund transactions of \$32,346 in the Internal Service Funds consists of expended charges for services revenues of \$39,483, of which \$38,588 is excludable. The remaining \$6,242 of revenues has been carried forward to future years.

Note 12 - The exclusion claimed for contracts with other political subdivisions of \$194,804 in the Enterprise Funds consists of expended net patient services revenues of \$205,716 and other revenues of \$248. Unexpended net patient services revenues of \$11,160 were carried forward to future years.

The exclusion claimed for contracts with other political subdivisions of \$1,167 in the Internal Service Funds consists of expended other revenues.

Note 13 - 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>
Bond proceeds	\$63,608	\$ 141
Proceeds from other long-term obligations	6,443	119,008
Grants, aid, contributions or gifts, from a private agency, organization, or individual	106	
Amounts received from the State of Arizona	295	
Highway user revenues in excess of those received in fiscal year 1979-80	<u>2,599</u>	
Total prior years carryforward expended	<u>\$72,756</u>	<u>\$119,149</u>

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011  
(Amounts in Thousands)

Note 14 - The subtraction of \$9,099 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 \$6,682 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 15 - The 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, and are reported in the Governmental Funds category in the fund financial statements:

	<b>Regional Flood Control District</b>	<b>Stadium District</b>	<b>Library District</b>	<b>Special Districts</b>	<b>Total</b>
Public safety	\$10,288				\$10,288
Highways and streets				\$ 1	1
Culture and recreation			\$31,401		31,401
Debt service				28	28
Capital Projects Fund:					
Capital outlay	<u>8,460</u>	<u>\$649</u>	<u>3,449</u>	<u>—</u>	<u>12,558</u>
Total	<u>\$18,748</u>	<u>\$649</u>	<u>\$34,850</u>	<u>\$29</u>	<u>\$54,276</u>

The capital outlay expenditures reported in the Capital Projects Fund were made from monies transferred from the special assessment districts in current and prior fiscal years.

Note 16 - 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 17 - The subtraction of \$365 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 cost to commit an individual determined to be sexually violent by the court, as required by Laws 2010, Seventh Special Session, Chapter 10, Sections 22 and 23, which were recorded as welfare expenditures.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011  
(Amounts in Thousands)

- Note 18 - The subtraction for bad debt expense in the Enterprise Funds for \$401 is included in the Regional Wastewater Reclamation Department Fund's general and administrative expenses.
- Note 19 - The addition of \$66,616 for principal payments on long-term debt in the Enterprise Funds is included in the Regional Wastewater Reclamation Department Fund's principal paid on bonds and loans.

