



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2013



Debra K. Davenport
Auditor General

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Pima County
Annual Expenditure Limitation Report
Year Ended June 30, 2013

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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
Pima County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Pima County for the year ended June 30, 2013. 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 Pima 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

May 30, 2014

Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2013
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$516,423
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>516,422</u>
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) 724-3030 Date: May 30, 2014

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2013
(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	\$ 827,685	\$ 321,130	\$ 45,093	\$ 2,447,871	\$ 3,641,779
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	83,810	18,361			102,171
Proceeds from other long-term obligations (Note 3)	151	151,208	1,768		153,127
Debt service requirements on other long-term obligations (Note 4)	10,090	15,925			26,015
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	400	18			418
Trustee or custodian (Note 6)	21,262			2,447,871	2,469,133
Grants and aid from the federal government (Note 7)	58,544				58,544
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	6,778	58			6,836
Amounts received from the State of Arizona (Note 7)	42,785				42,785
Quasi-external interfund transactions (Note 9)	14,649	507	38,479		53,635
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	26,586				26,586
Contracts with other political subdivisions (Notes 7 and 10)	36,405	709	1,322		38,436
Prior years carryforward (Note 11)	<u>113,186</u>	<u>34,485</u>	<u> </u>	<u> </u>	<u>147,671</u>
Total exclusions claimed	<u>414,646</u>	<u>221,271</u>	<u>41,569</u>	<u>2,447,871</u>	<u>3,125,357</u>
C. Amounts subject to the expenditure limitation	<u>\$ 413,039</u>	<u>\$ 99,859</u>	<u>\$ 3,524</u>	<u>\$ -</u>	<u>\$ 516,422</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2013
(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	\$ 931,935	\$ 149,934	\$ 39,507	\$ 2,447,871	\$ 3,569,247
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		44,936	3,775		48,711
Loss on disposal of capital assets		19,596			19,596
Bad debt expense (Note 16)		96			96
Claims that were reported but unpaid, or incurred but not reported (Note 12)			7,676		7,676
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 13)	63,967				63,967
Long-term care contributions withheld by the State Treasurer (Note 14)	39,316				39,316
Payments made to reimburse the Arizona Department of Health Services (Note 15)	967				967
Amount of involuntary court judgments or involuntary settlements		419			419
Total subtractions	<u>104,250</u>	<u>65,047</u>	<u>11,451</u>		<u>180,748</u>
C. Additions:					
Principal payments on long-term debt (Note 17)		30,820			30,820
Acquisition of capital assets		205,423	9,732		215,155
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 12)			7,305		7,305
Total additions		<u>236,243</u>	<u>17,037</u>		<u>253,280</u>
D. Amounts reported on Part II, Line A	<u>\$ 827,685</u>	<u>\$ 321,130</u>	<u>\$ 45,093</u>	<u>\$ 2,447,871</u>	<u>\$ 3,641,779</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in Thousands)

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 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 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 bonded indebtedness of \$83,810 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$61,230, \$21,776, and \$804, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$18,361 in the Enterprise Funds consists of \$14,895 and \$3,466 in Regional Wastewater Reclamation Department (RWRD) sewer revenue bonds principal and interest payments, respectively.

Note 3 - The exclusion claimed for proceeds from other long-term obligations of \$151 in the Governmental Funds and \$1,768 in the Internal Service Funds consist of expenditures made from certificates of participation proceeds of \$80,175 and premiums of \$4,125. Remaining amounts of \$82,381 have been carried forward to future years.

The exclusion claimed for proceeds from other long-term obligations of \$151,208 in the Enterprise Funds consist of expenditures made from sewer revenue obligation proceeds of \$128,795 and from sewer revenue obligations premiums of \$22,413.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$10,090 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$7,112, \$2,128, and \$850, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$15,925 in the Enterprise Funds consists of \$13,375 of sewer revenue obligations and \$2,550 of loan payments on RWRD long-term loans payable.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in Thousands)

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$400 in the Governmental Funds consists of expended investment earnings and interest on delinquent taxes. Of the total investment earnings revenues of \$2,282 in the Governmental Funds, \$400 was excluded and \$249 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,633 have been carried forward to future years. The total for interest on delinquent taxes of \$6,170, which was reported as tax revenue, was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$18 in the Enterprise Funds consists of expended investment earnings. The remaining \$999 was carried forward to future years.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$21,262, consists of \$17,426 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,111 in Sheriff Commissary revenues; and antiracketeering revenues of \$1,725.

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.

Description	
Grants and aid from the federal government	\$ 58,544
Amounts received from the State of Arizona	42,785
Highway user revenues in excess of those received in fiscal year 1979-80	42,715
Contracts with other political subdivisions	36,416
Other revenues—(nonexcludable)	<u>120,763</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$301,223</u>

Of the \$42,715 of highway user revenues, \$26,586 was excluded and \$16,129 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the \$36,416 of contracts with other political subdivisions, \$36,405 was claimed as an exclusion and the remaining \$11 was carried forward to future years.

Note 8 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$6,778 in the Governmental Funds consists of expended miscellaneous revenues. Remaining excludable amounts of \$21 were carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in Thousands)

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization or individual of \$58 in the Enterprise Funds consist of expended charges for services and other revenues of \$579. Remaining unspent revenues generated from grants, aid, contributions, or gifts from private agency, organization, or individual of \$521 were carried forward to future years.

Note 9 - The exclusion claimed for quasi-external interfund transactions of \$14,649 in the Governmental Funds consist of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$507 in the Enterprise Funds consist of expended charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$38,479 in the Internal Service Funds consists of the expended portion of charges for services revenues of \$45,575, of which \$43,629 is excludable as quasi-external interfund transactions. The remaining \$5,150 of revenues has been carried forward to future years.

Note 10 - The exclusion claimed for contracts with other political subdivisions of \$709 in the Enterprise Funds consists of expended charges for services revenues of \$359 and \$350 of intergovernmental revenues.

The exclusion claimed for contracts with other political subdivisions of \$1,322 in the Internal Service Funds consists of expended charges for services revenues.

Note 11 - 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	\$ 64,060	
Other long-term obligations proceeds	868	\$34,485
Quasi-external interfund transactions	27,000	
Amounts received from the State of Arizona	154	
Highway user revenues in excess of those received in fiscal year 1979-80	5,295	
Dividends, interest, and gains on the sale or redemption of investment securities	113	
Contracts with other political subdivisions	<u>15,696</u>	
Total prior years carryforward expended	<u>\$113,186</u>	<u>\$34,485</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in Thousands)

Note 12 - The subtraction of \$7,676 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 \$7,305 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 13 - 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:

	Regional Flood Control District	Stadium District	Library District	Lighting Districts	Total
Public safety	\$11,093				\$11,093
General government				\$136	136
Culture and recreation		\$4,682	\$34,164		38,846
Capital Projects Fund:					
Capital outlay	<u>12,098</u>		<u>1,794</u>		<u>13,892</u>
Total	<u>\$23,191</u>	<u>\$4,682</u>	<u>\$35,958</u>	<u>\$136</u>	<u>\$63,967</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 14 - The subtraction of \$39,316 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 15 - The subtraction of \$967 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 of commitment of an individual the court determined to be sexually violent, as required by Laws 2012, Chapter 299, Sections 10 and 11, which were recorded as welfare expenditures.

Note 16 - The subtraction of \$96 for bad debt expense in the Enterprise Funds is reported under the general and administrative expenses.

Note 17 - The addition of \$30,820 for principal payments on long-term debt in the Enterprise Funds consists of \$14,895 in sewer revenue bond payments, \$13,375 in sewer revenue obligation payments, and \$2,550 in Regional Wastewater Reclamation Fund loan payments.

