



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

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Pima 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
Pima County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Pima 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 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

April 20, 2015

Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2014
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$527,443
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>527,442</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: April 20, 2015

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2014
(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	\$ 846,145	\$ 243,585	\$ 102,485	\$ 2,515,033	\$ 3,707,248
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	105,076	22,677			127,753
Proceeds from other long-term obligations (Note 3)	15,561	32,781			48,342
Debt service requirements on other long-term obligations (Note 4)	46,199	29,831			76,030
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	3,190	17			3,207
Trustee or custodian (Note 6)	20,985			2,515,033	2,536,018
Grants and aid from the federal government (Note 7)	48,496				48,496
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	2,647	49			2,696
Amounts received from the State of Arizona (Note 7)	35,306				35,306
Quasi-external interfund transactions (Note 9)	17,281		94,416		111,697
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	27,669				27,669
Contracts with other political subdivisions (Notes 7 and 10)	36,045	411	1,266		37,722
Prior years carryforward (Note 11)	<u>58,526</u>	<u>60,417</u>	<u>5,927</u>		<u>124,870</u>
Total exclusions claimed	<u>416,981</u>	<u>146,183</u>	<u>101,609</u>	<u>2,515,033</u>	<u>3,179,806</u>
C. Amounts subject to the expenditure limitation	<u>\$ 429,164</u>	<u>\$ 97,402</u>	<u>\$ 876</u>	<u>\$ -</u>	<u>\$ 527,442</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2014
(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	\$ 951,884	\$ 153,790	\$ 93,716	\$ 2,515,033	\$ 3,714,423
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		48,809	4,022		52,831
Loss on disposal of capital assets		3,905	137		4,042
Bad debt expense (Note 16)		1,052			1,052
Claims that were reported but unpaid, or incurred but not reported (Note 12)			52,012		52,012
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 13)	66,138				66,138
Long-term care contributions withheld by the State Treasurer (Note 14)	39,129				39,129
Payments made to reimburse the Arizona Department of Health Services (Note 15)	472				472
Total subtractions	<u>105,739</u>	<u>53,766</u>	<u>56,171</u>		<u>215,676</u>
C. Additions:					
Principal payments on long-term debt (Note 17)		36,978			36,978
Acquisition of capital assets		106,583	18,021		124,604
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 12)			46,919		46,919
Total additions		<u>143,561</u>	<u>64,940</u>		<u>208,501</u>
D. Amounts reported on Part II, Line A	<u>\$ 846,145</u>	<u>\$ 243,585</u>	<u>\$ 102,485</u>	<u>\$ 2,515,033</u>	<u>\$ 3,707,248</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(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 \$105,076 in the Governmental Funds consists of principal, interest, payments to escrow agent, and miscellaneous charges of \$71,840, \$22,681, \$10,131 and \$424, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$22,677 in the Enterprise Funds consists of \$16,765 and \$5,912 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 \$15,561 in the Governmental Funds consists of expenditures made from certificates of participation proceeds of \$52,160 and premium of \$5,840. Remaining amounts of \$42,439 have been carried forward to future years.

The exclusion claimed for proceeds from other long-term obligations of \$32,781 in the Enterprise Funds consist of expenditures made from sewer revenue obligation proceeds of \$48,500 and from sewer revenue obligation premium of \$7,033. Remaining amounts of \$22,752 have been carried forward to future years.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$46,199 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$41,497, \$4,096, and \$606, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$29,831 in the Enterprise Funds consists of \$20,214 and \$9,617 of loan payments on RWRD long-term loans payable and interest payments, respectively.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(Amounts in Thousands)

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$3,190 in the Governmental Funds consists of expended investment earnings and interest on delinquent taxes. Of the total investment earnings revenues of \$1,737 in the Governmental Funds, \$205 was excluded and \$87 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,445 have been carried forward to future years. Of the total \$5,398 interest on delinquent taxes that was reported as tax revenue, \$2,985 was excluded and \$2,413 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$17 in the Enterprise Funds consists of expended investment earnings. The remaining \$1,221 was carried forward to future years.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$20,985, consists of \$17,461 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,134 in Sherriff Commissary revenues; and \$1,390 in antiracketeering revenues.

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	\$ 48,496
Amounts received from the State of Arizona	35,306
Highway user revenues in excess of those received in fiscal year 1979-80	44,477
Contracts with other political subdivisions	36,053
Other revenues—(nonexcludable)	<u>127,750</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$292,082</u>

Of the \$44,477 of highway user revenues, \$27,669 was excluded and \$16,808 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the \$36,053 of contracts with other political subdivisions, \$36,045 was claimed as an exclusion and the remaining \$8 was carried forward to future years.

Note 8 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$2,647 in the Governmental Funds, consists of expended miscellaneous revenues. Remaining amounts of \$33 were carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(Amounts in Thousands)

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$49 in the Enterprise Funds, consists of expended charges for services and other revenues of \$1,473. Remaining amounts of \$1,424 were carried forward to future years.

Note 9 - The exclusion claimed for quasi-external interfund transactions of \$17,281 in the Governmental Funds consists of expenditures of charges for services revenues. Remaining amounts of \$277 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$94,416 in the Internal Service Funds consists of the expended portion of charges for services revenues of \$110,474, of which \$107,703 is excludable as quasi-external interfund transactions. The remaining \$13,287 of revenues has been carried forward to future years.

Note 10 - The exclusion claimed for contracts with other political subdivisions of \$411 in the Enterprise Funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$1,266 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	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Bond proceeds	\$36,731			\$ 36,731
Other long-term obligations proceeds	7,631	\$60,417	\$5,927	73,975
Quasi-external interfund transactions	7,736			7,736
Highway user revenues in excess of those received in fiscal year 1979-80	2,683			2,683
Dividends, interest, and gains on the sale or redemption of investment securities	504			504
Contracts with other political subdivisions	<u>3,241</u>			<u>3,241</u>
Total prior years carryforward expended	<u>\$58,526</u>	<u>\$60,417</u>	<u>\$5,927</u>	<u>\$124,870</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(Amounts in Thousands)

Note 12 - The subtraction of \$52,012 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 \$46,919 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	\$11,401				\$11,401
General government				\$159	159
Culture and recreation		\$4,689	\$33,775		38,464
Capital Projects Fund:					
Capital outlay	<u>14,226</u>	<u>1,699</u>	<u>189</u>		<u>16,114</u>
Total	<u>\$25,627</u>	<u>\$6,388</u>	<u>\$33,964</u>	<u>\$159</u>	<u>\$66,138</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 \$39,129 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 \$472 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 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 welfare expenditures.

Note 16 - The subtraction of \$1,052 for bad debt expense in the Enterprise Funds is reported under the general and administrative expenses.

Note 17 - The addition of \$36,978 for principal payments on long-term debt in the Enterprise Funds consists of \$16,765 in sewer revenue bond payments, \$18,725 in sewer revenue obligation payments, and \$1,488 in Regional Wastewater Reclamation loan payments.

