



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2015



Debra K. Davenport
Auditor General

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Pima County
Annual Expenditure Limitation Report
Year Ended June 30, 2015

Table of Contents	Page
Independent Accountants' Report	1
Annual Expenditure Limitation Report—Part I	2
Annual Expenditure Limitation Report—Part II	3
Annual Expenditure Limitation Report—Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



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, 2015. The County's management is responsible for this report. 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 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 11, 2016

Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2015
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$525,447
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>525,446</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: Keith Dommer, Finance Director

Telephone Number: (520) 724-8496 Date: May 11, 2016

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2015
(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	\$ 804,938	\$ 221,706	\$ 106,596	\$ 2,184,552	\$ 3,317,792
B. Less exclusions claimed:					
Bond proceeds (Note 2)	15,670				15,670
Debt service requirements on bonded indebtedness (Note 3)	71,876	22,909			94,785
Proceeds from other long-term obligations (Note 4)	498	28,651			29,149
Debt service requirements on other long-term obligations (Note 5)	36,496	38,742			75,238
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	99	15			114
Trustee or custodian (Note 7)	19,884			2,184,552	2,204,436
Grants and aid from the federal government (Note 8 and 9)	49,483	284			49,767
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	2,164	35			2,199
Amounts received from the State of Arizona (Note 8)	33,198	64			33,262
Quasi-external interfund transactions (Note 11)	23,504		98,403		121,907
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	30,041				30,041
Contracts with other political subdivisions (Notes 8 and 12)	35,140	471	1,022		36,633
Prior years carryforward (Note 13)	<u>60,663</u>	<u>34,722</u>	<u>3,760</u>		<u>99,145</u>
Total exclusions claimed	<u>378,716</u>	<u>125,893</u>	<u>103,185</u>	<u>2,184,552</u>	<u>2,792,346</u>
C. Amounts subject to the expenditure limitation	<u>\$ 426,222</u>	<u>\$ 95,813</u>	<u>\$ 3,411</u>	<u>\$ -</u>	<u>\$ 525,446</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2015
(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	\$ 919,627	\$ 193,586	\$ 90,430	\$ 2,184,552	\$ 3,388,195
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		51,469	4,749		56,218
Loss on disposal of capital assets		29,542			29,542
Bad debt expense (Note 14)		316	1		317
Claims that were reported but unpaid, or incurred but not reported (Note 15)			45,653		45,653
Pension Expense (Note 16)		3,099	604		3,703
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 17)	63,765				63,765
Long-term care contributions withheld by the State Treasurer (Note 18)	38,919				38,919
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	11,500				11,500
Payments made to reimburse the Arizona Department of Health Services (Note 19)	505				505
Total subtractions	<u>114,689</u>	<u>84,426</u>	<u>51,007</u>		<u>250,122</u>
C. Additions:					
Principal payments on long-term debt		40,980			40,980
Acquisition of capital assets		68,630	11,464		80,094
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)			55,137		55,137
Pension contributions paid in the current year (Note 16)		2,936	572		3,508
Total additions		<u>112,546</u>	<u>67,173</u>		<u>179,719</u>
D. Amounts reported on Part II, Line A	<u>\$ 804,938</u>	<u>\$ 221,706</u>	<u>\$ 106,596</u>	<u>\$ 2,184,552</u>	<u>\$ 3,317,792</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(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, 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 bond proceeds of \$15,670 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$15,000 and premium of \$731, and transportation refunding bond proceeds of \$13,685 and premium of \$1,750. Remaining amounts of \$15,496 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$71,876 in the Governmental Funds consists of principal and interest payments of \$52,025, and \$19,851, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$22,909 in the Enterprise Funds consists of \$17,555 and \$5,354 in Regional Wastewater Reclamation Department (RWRD) sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$498 in the Governmental Funds and \$28,651 in the Enterprise Funds consists of expenditures made from certificates of participation proceeds of \$57,025 and premium of \$3,468 recorded in the Governmental Funds. Of the proceeds amount, \$28,651 was transferred to the Enterprise Funds and expended. Remaining amounts of \$31,344 have been carried forward to future years.

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$36,496 in the Governmental Funds consists of principal and interest payments of \$29,908 and \$6,588, respectively.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$38,742 in the Enterprise Funds consists of \$23,425 and \$15,317 of principal and interest payments, respectively, on RWRD sewer revenue obligations and long-term loans payable.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$99 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$1,155 in the Governmental Funds, \$99 was excluded and \$72 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$984 have been carried forward to future years. All \$4,757 of interest on delinquent taxes that 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 \$15 in the Enterprise Funds consists of expended investment earnings. The remaining \$888 was carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$19,884 consists of \$17,495 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$1,986 in Sheriff Commissary revenues; and \$403 in antiracketeering revenues.

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	\$ 49,483
Amounts received from the State of Arizona	33,198
Highway user revenues in excess of those received in fiscal year 1979-80	48,478
Contracts with other political subdivisions	35,147
Other revenues—(nonexcludable)	<u>130,322</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$296,628</u>

Of the \$48,478 of highway user revenues, \$30,041 was excluded and \$18,437 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the \$35,147 of contracts with other political subdivisions, \$35,140 was claimed as an exclusion and the remaining \$7 was carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in Thousands)

The exclusion of \$64 was claimed for amounts received from the State of Arizona in the Enterprise Funds, which were reported as intergovernmental revenues.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$284 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, except amounts received in lieu of taxes of \$2,164 in the Governmental Funds, consists of expended miscellaneous revenues.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$35 in the Enterprise Funds consists of expended other revenues. Remaining amounts of \$479 have been carried forward to future years.

Note 11 - The exclusion claimed for quasi-external interfund transactions of \$23,504 in the Governmental Funds consists of expenditures of charges for services revenues. Remaining amounts of \$1,020 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$98,403 in the Internal Service Funds consists of the expended portion of charges for services revenues of \$105,548, of which \$100,504 is excludable as quasi-external interfund transactions. The remaining \$2,101 of revenues has been carried forward to future years.

Note 12 - The exclusion claimed for contracts with other political subdivisions of \$471 in the Enterprise Funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$1,022 in the Internal Service Funds consists of expended charges for services 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	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Bond proceeds	\$27,438			\$27,438
Other long-term obligations proceeds	29,560	\$34,722		64,282
Quasi-external interfund transactions			\$3,760	3,760
Trustee or custodian	<u>3,665</u>			<u>3,665</u>
Total prior years carryforward expended	<u>\$60,663</u>	<u>\$34,722</u>	<u>\$3,760</u>	<u>\$99,145</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in Thousands)

Note 14 - The subtraction of \$316 for bad debt expense in the Enterprise Funds and \$1 in the Internal Service Funds is reported under the general and administrative expenses.

Note 15 - The subtraction of \$45,653 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 \$55,137 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 16 - The subtraction of \$3,703 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise/Internal Service Funds. The addition of \$3,508 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise/Internal Service Funds.

Note 17 - 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	\$14,260				\$14,260
General government				\$158	158
Culture and recreation		\$4,562	\$32,898		37,460
Capital Projects Fund:					
Capital outlay	<u>11,413</u>		<u>474</u>		<u>11,887</u>
Total	<u>\$25,673</u>	<u>\$4,562</u>	<u>\$33,372</u>	<u>\$158</u>	<u>\$63,765</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 18 - The subtraction of \$38,919 for long-term care contributions withheld by the State Treasurer 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 19 - The subtraction of \$505 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 2014, Chapter 11, Sections 10 and 11, which were recorded as welfare expenditures.

