

# Pima County

Expenditure Limitation Report

Year Ended June 30, 2017



A Report to the Arizona Legislature

Lindsey Perry  
Auditor General





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**LINDSEY PERRY, CPA, CFE**  
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, 2017, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in note 1 in all material respects.

Jay Zsorey, CPA  
Director, Financial Audit Division

May 2, 2018



**Pima County**  
**Annual expenditure limitation report—part I**  
**Year ended June 30, 2017**  
**(Amounts in thousands)**

1. Economic Estimates Commission expenditure limitation	\$550,130
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>550,129</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 2, 2018

See accompanying notes to report.

**Pima County**  
**Annual expenditure limitation report—part II**  
**Year ended June 30, 2017**  
**(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	\$ 959,317	\$ 448,662	\$ 118,035	\$ 2,324,601	\$ 3,850,615
B. Less exclusions claimed:					
Debt proceeds (Note 2)	176,118	41,287			217,405
Debt service requirements (Note 3)	125,511	305,984			431,495
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	749	34	27		810
Trustee or custodian (Note 5)	19,978			2,324,601	2,344,579
Grants and aid from the federal government (Note 6)	40,869				40,869
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	2,032	14			2,046
Amounts received from the State of Arizona (Note 6)	37,891				37,891
Quasi-external interfund transactions (Note 8)	3,702	268	112,601		116,571
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	40,611				40,611
Contracts with other political subdivisions (Note 6 and 9)	30,882	323	45		31,250
Prior years carryforward (Note 10)	<u>28,199</u>	<u>7,059</u>	<u>1,701</u>		<u>36,959</u>
Total exclusions claimed	<u>506,542</u>	<u>354,969</u>	<u>114,374</u>	<u>2,324,601</u>	<u>3,300,486</u>
C. Amounts subject to the expenditure limitation	<u>\$ 452,775</u>	<u>\$ 93,693</u>	<u>\$ 3,661</u>	<u>\$ -</u>	<u>\$ 550,129</u>

See accompanying notes to report.

**Pima County**  
**Annual expenditure limitation report—reconciliation**  
**Year ended June 30, 2017**  
**(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	\$ 1,073,709	\$ 164,188	\$ 109,640	\$ 2,324,601	\$ 3,672,138
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		53,325	5,152		58,477
Loss on disposal of capital assets		4,071	120		4,191
Bad debt expense (Note 11)		808			808
Claims that were reported but unpaid, or incurred but not reported (Note 12)			51,979		51,979
Pension expense (Note 13)		223	1,250		1,473
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 14)	70,199				70,199
Long-term care contributions the State Treasurer withheld (Note 15)	39,244				39,244
Required fees/reimbursements made to Arizona state agencies (Note 16)	3,249				3,249
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	1,700				1,700
Total subtractions	<u>114,392</u>	<u>58,427</u>	<u>58,501</u>		<u>231,320</u>
C. Additions:					
Principal payments on long-term debt		288,238			288,238
Capital asset acquisitions		51,807	8,007		59,814
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 12)			58,032		58,032
Pension contributions paid in the current year (Note 13)		2,856	857		3,713
Total additions		<u>342,901</u>	<u>66,896</u>		<u>409,797</u>
D. Amounts reported on part II, line A	<u>\$ 959,317</u>	<u>\$ 448,662</u>	<u>\$ 118,035</u>	<u>\$ 2,324,601</u>	<u>\$ 3,850,615</u>

See accompanying notes to report.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2017**  
**(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 (A.R.S.) §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 debt proceeds of \$176,118 in the governmental funds consists of expenditures made from general obligation bond proceeds of \$25,680, general obligation refunding bond proceeds of \$122,070 and premium of \$13,844, and transportation refunding bond proceeds of \$28,315 and premium of \$3,817. Remaining amounts of \$17,608 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$41,287 in the enterprise funds consists of expenditures made from sewer revenue refunding obligation proceeds of \$256,595 and premium of \$49,129. Of the proceeds amount, \$259,097 was deposited into an escrow account for debt refunding. Remaining amounts of \$5,340 have been carried forward to future years.

**Note 3**

The exclusion claimed for debt service requirements of \$125,511 in the governmental funds consists of principal, interest, and miscellaneous charges of \$101,579, \$23,920, and \$12, respectively.

The exclusion claimed for debt service requirements of \$305,984 in the enterprise funds consists of \$288,238 and \$17,746 of principal and interest payments, respectively, on regional wastewater reclamation department sewer revenue bonds, obligations, and long-term notes payable.

**Note 4**

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$749 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$2,257 in the governmental funds, \$749 was excluded and \$158 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,350 have been carried forward to future years. All \$5,002 of interest on delinquent taxes that was reported as tax revenue was carried forward to future years.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2017**  
**(Amounts in thousands)**

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$34 in the enterprise funds consists of expended investment earnings. The remaining \$1,478 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$27 in the internal service funds consists of expended investment earnings. The remaining \$1,004 was carried forward to future years.

**Note 5**

The exclusion claimed for trustee or custodian in the governmental funds of \$19,978 consists of \$17,570 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,136 in sheriff commissary revenues; and \$272 in antiracketeering revenues.

**Note 6**

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	\$ 40,869
Amounts received from the State of Arizona	39,295
Highway user revenues in excess of those received in fiscal year 1979-80	54,029
Contracts with other political subdivisions	30,891
Other revenues—(nonexcludable)	<u>143,471</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$308,555</u>

The total amount of \$40,869 for grants and aid from the federal government was excluded. Of the \$39,295 received from the State of Arizona, \$37,891 was excluded, \$1,227 was not excludable, and \$177 was carried forward to future years. Of the \$54,029 of highway user revenues, \$40,611 was excluded and \$13,418 was transferred, spent, and excluded as debt service requirements. Of the \$30,891 of contracts with other political subdivisions, \$30,882 was claimed as an exclusion and the remaining \$9 was carried forward to future years.

**Note 7**

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$2,032 in the governmental funds, consists of expended miscellaneous revenues.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2017**  
**(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 \$14 in the enterprise funds consists of expended other revenues. Remaining revenues of \$928 have been carried forward to future years.

**Note 8**

The exclusion claimed for quasi-external interfund transactions of \$3,702 in the governmental funds consists of expenditures of charges for services revenues. Remaining revenues of \$25,262 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$268 in the enterprise funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$112,601 in the internal service funds consists of the expended portion of charges for services revenues of \$126,813, of which \$118,226 is excludable as quasi-external interfund transactions. The remaining revenues of \$5,625 have been carried forward to future years.

**Note 9**

The exclusion claimed for contracts with other political subdivisions of \$323 in the enterprise funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$45 in the internal service funds consists of the expended charges for services revenues.

**Note 10**

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>	<u>Total</u>
Debt proceeds	\$16,806	\$7,059		\$23,865
Quasi-external interfund transactions			\$ 138	138
Dividends, interest, and gains on the sale or redemption of investment securities	<u>11,393</u>	<u>      </u>	<u>1,563</u>	<u>12,956</u>
Total prior years carryforward expended	<u>\$28,199</u>	<u>\$7,059</u>	<u>\$1,701</u>	<u>\$36,959</u>

**Note 11**

The subtraction of \$808 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2017**  
**(Amounts in thousands)**

**Note 12**

The subtraction of \$51,979 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 \$58,032 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 of \$1,473 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise and internal service funds. The addition of \$3,713 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise and internal service funds.

**Note 14**

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:

	<u>Regional flood control district</u>	<u>Stadium district</u>	<u>Library district</u>	<u>Lighting districts</u>	<u>Total</u>
Public safety	\$14,696				\$14,696
General government				\$168	168
Culture and recreation		\$5,024	\$38,160		43,184
Capital projects fund:					
Capital outlay	<u>11,513</u>		<u>638</u>		<u>12,151</u>
Total	<u>\$26,209</u>	<u>\$5,024</u>	<u>\$38,798</u>	<u>\$168</u>	<u>\$70,199</u>

**Note 15**

The subtraction of \$39,244 for long-term care contributions the State Treasurer withheld 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 16**

The subtraction of \$3,249 for required fees/reimbursements paid to Arizona state agencies consists of \$1,727 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost sharing; \$1,023 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$499 paid to the Arizona Department of Health Services pursuant to Laws 2016, Chapter 122, Sections 16 and 17, to reimburse part of the cost of committing an individual the court determined to be sexually violent, which were recorded as welfare expenditures.

