

# 2014

## Office of Emergency Management's Radio System Special Revenue Fund



Pima County, Arizona  
For the Period from April 1 (Inception) to June 30, 2014

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System - Special Revenue Fund  
For the Period from April 1 (Inception) to June 30, 2014

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## INDEPENDENT AUDITORS' REPORT

The Board of Supervisors of  
Pima County, Arizona

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Office of Emergency Management's Radio System - Special Revenue (the "Fund"), as listed in the table of contents, for the period from inception, April 1, 2014, through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Office of Emergency Management's Radio System - Special Revenue as of June 30, 2014, and the respective changes in financial position for the period from inception, April 1, 2014, through June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Tucson, Arizona  
November 6, 2014

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System - Special Revenue Fund  
Balance Sheet  
June 30, 2014

<b>Assets</b>	
Cash and cash equivalents	\$ 476,236
Interest receivable	571
Accounts receivable	8,541
Inventory	181,598
Prepaid expenditures	<u>4,539</u>
Total assets	<u><u>671,485</u></u>
 <b>Liabilities and fund balances</b>	
<b>Liabilities</b>	
Accounts payable	80,860
Employee compensation	18,147
Unearned revenue	<u>64,107</u>
Total liabilities	<u>163,114</u>
 <b>Fund balances</b>	
Nonspendable	186,137
Assigned	<u>322,234</u>
Total fund balances	<u>508,371</u>
Total liabilities and fund balances	<u><u>\$ 671,485</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System - Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Period from April 1 (Inception) to June 30, 2014

Revenues:	
Charges for services	\$ 642,426
Investment earnings	408
Miscellaneous	<u>39,338</u>
Total revenues	<u>682,172</u>
Expenditures:	
Employee compensation	216,182
General and administrative	209,344
Operating supplies and services	9,006
Repairs and maintenance	<u>23,550</u>
Total expenditures	<u>458,082</u>
Excess of revenues over expenditures	<u>224,090</u>
Other financing sources:	
Transfers in	<u>284,281</u>
Total other financing sources	<u>284,281</u>
Net change in fund balances	508,371
Fund balance at beginning of year	<u>          </u>
Fund balance at end of year	<u><u>\$ 508,371</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System - Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Period from April 1 (Inception) to June 30, 2014

	Original and Final Budget	Actual	Variance
Revenues:			
Charges for services	\$ 262,566	\$ 642,426	\$ 379,860
Investment earnings		408	408
Miscellaneous	420,777	39,338	(381,439)
Total revenues	<u>683,343</u>	<u>682,172</u>	<u>(1,171)</u>
Expenditures:			
Employee compensation	779,397	216,182	563,215
General and administrative	504,840	209,344	295,496
Operating supplies and services	73,225	9,006	64,219
Repairs and maintenance	3,750	23,550	(19,800)
Total expenditures	<u>1,361,212</u>	<u>458,082</u>	<u>903,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(677,869)</u>	<u>224,090</u>	<u>901,959</u>
Other financing sources:			
Transfers in		284,281	284,281
Total other financing sources		<u>284,281</u>	<u>284,281</u>
Net change in fund balances	(677,869)	508,371	1,186,240
Fund balance at beginning of year			
Fund balance at end of year	<u>\$ (677,869)</u>	<u>\$ 508,371</u>	<u>\$ 1,186,240</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System Special Revenue Fund  
Notes to Financial Statements  
June 30, 2014

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Pima County (County) and its Office of Emergency Management's (OEM) Radio System Special Revenue Fund (Fund) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

**A. Reporting Entity**

The Fund was formed April 1, 2014 for the design, procurement and deployment of a regional public safety voice communications network to serve public and non-profit entities responsible for providing public safety and emergency management services to the Pima County populace. The network enables agencies to communicate in real time on a single system, regardless of jurisdiction boundaries. An Intergovernmental Agreement (IGA) dated November 13, 2012 established the legal basis for Fund activity.

The Fund is reported as a governmental fund of Pima County, Arizona, and the ultimate financial accountability for the Fund remains with Pima County. The financial statements present only the OEM's Radio System Special Revenue Fund as one of the governmental funds of Pima County, and are not intended to present the balances and activity of Pima County in its entirety.

The IGA provided for an Executive Management Committee (EMC), appointed by the Board of Supervisors, that was responsible for the implementation of the network and the administration of the bond. The governance of the Fund has transitioned from the EMC to the Pima County Wireless Integrated Network (PCWIN) Board of Directors.

**B. Fund Financial Statements**

The basic financial statements are fund financial statements. The fund financial statements (the Balance Sheet; the Statement of Revenues, Expenditures and Changes in Fund Balance; and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual) are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which this fund is normally budgeted.

**C. Basis of Accounting**

Basis of accounting relates to the timing of the measurements made and determines when revenues, expenditures and assets, deferred outflows of resources, liabilities and deferred inflows of resources are recognized in the accounts and reported in the financial statements.

The financial statements of the Fund are reported using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual whereas expenditures are recognized when the fund liability is incurred. In applying the susceptible to accrual concept under the modified accrual basis, revenue sources are deemed both measurable and available if collectible within the current year or within 60 days of year-end and available to pay obligations of the current period.

**D. Basis of Presentation**

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for those resources.

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System Special Revenue Fund  
Notes to Financial Statements  
June 30, 2014

**Note 1 - Summary of Significant Accounting Policies (continued)**

The Fund's financial transactions are recorded and reported as a special revenue fund which is used to account for the proceeds of specific revenue sources that are legally assigned to expenditures for specified purposes. The fund balance of the Fund is nonspendable for the amount of inventory and prepaid expenditures, with the remaining amount classified as assigned to public safety.

**E. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit with the Pima County Treasurer and investments with the State Treasurer. All investments are stated at fair value.

**F. Accounts Receivable**

Accounts receivable consists primarily of amounts due for PCWIN quarterly membership fees.

**G. Inventory**

The County accounts for its inventories in the Fund using the purchase method. Inventories of the Fund consist of spare parts for the Fixed Network Equipment held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the first-in, first-out method or average cost method.

**H. Prepaid**

The prepaid account consists of expenses for maintenance and support for the following fiscal year paid in the current year.

**I. Deferred inflows of resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. Accordingly, *unavailable revenue* is reported only in the governmental fund balance sheet.

**J. Fund Balance Classifications**

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. This fund only reports nonspendable and assigned.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for a specific purpose. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System Special Revenue Fund  
Notes to Financial Statements  
June 30, 2014

**Note 1 - Summary of Significant Accounting Policies (continued)**

**K. Charges for Services**

Charges for services are received from a variety of governmental agencies and medical service entities. The Fund has intergovernmental agreements with police departments, fire districts, and local governments. Area medical providers such as medical centers, hospitals, and ambulance providers also have agreements with the Fund. Charges for services are also received from Pima County departments such as the Sheriff's Department, Juvenile Courts, Transportation, and the Regional Wastewater Reclamation Department.

Revenues from both intergovernmental and interdepartmental sources are generated from an annual membership fee which is assessed, billed and paid on a quarterly basis. The quarterly fees are based upon the number of radios an agency maintains.

**L. Budgetary Accounting**

The County annually adopts budgets, on a modified accrual basis, for all governmental fund types. Budgetary control is legally maintained at the fund level.

The budget information presented in the financial statements reflects the original budget and the amended budget (which may be adjusted for legally authorized revisions of the annual budget during the year). Appropriation balances, including all outstanding encumbrances, lapse at the end of the fiscal year. Any item ordered in a fiscal year but not received is charged against an appropriation in the year that the item is received.

**Note 2 – Fund Balance Classifications**

The table below details the fund balance categories and classifications:

**Fund Balance:**

**Nonspendable:**

Inventory	\$ 181,598
Prepaid expenses	4,539
Total nonspendable	186,137

**Assigned to:**

Public safety	322,234
Total assigned	322,234

Total fund balance	\$ 508,371
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**Note 3 - Cash and Investments**

The County Treasurer holds cash on deposit for the Fund. The Treasurer pools this deposit with other County monies for investment within the County Treasurer's pool. The Fund's deposits are included in the Treasurer's investment pool but are not identified with specific investments.

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System Special Revenue Fund  
Notes to Financial Statements  
June 30, 2014

**Note 3 - Cash and Investments (continued)**

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The County Treasurer's investment pool is unrated.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The County Treasurer's investments had a weighted average maturity of 525 days at June 30, 2014.

**Legal Provisions** – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

**Credit risk** – Statutes have the following requirements for credit risk:

1. Commercial Paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

**Custodial credit risk** – Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**Concentration of credit risk** – Statutes do not include any requirements for concentration of credit risk.

**Interest rate risk** – Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

**Foreign currency risk** – Statutes do not allow foreign investments.

**Note 4 - Related Party Transactions**

For the year ended June 30, 2014, the Fund incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$73,353. Of that amount, \$13,425 was for staffing, \$1,279 was for repairs and maintenance, and \$58,649 was for general and administrative.

PIMA COUNTY, ARIZONA  
Office of Emergency Management's Radio System Special Revenue Fund  
Notes to Financial Statements  
June 30, 2014

**Note 5 – Claims, Judgments and Risk Management**

The Fund is a participant in Pima County's self-insurance program. The County's self-insurance program covers the Fund for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In the opinion of the Fund's management, any unfavorable outcomes from these types of risks would be covered by that self-insurance program. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report*.

Risks of loss arising from contractual breaches are not covered by the County's self-insurance program or commercial insurance. The Fund's management does not believe that these types of losses would be material to the financial statements; therefore, no accrual of losses has been reported in the financial statements. At June 30, 2014, there were no material lawsuits related to contractual breaches.

**Note 6 – Retirement Plan**

Plan Description—The Fund contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the Arizona State Retirement System (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000, 1-800-621-3778, or on-line at <https://www.azasrs.gov/content/annual-reports>.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates. For the year ended June 30, 2014, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current year, all of which were equal to the required contributions, were as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit</u> <u>Supplemental Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>	<u>Total</u>
2014	\$15,674	\$879	\$352	\$16,905



# CliftonLarsonAllen

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Supervisors of  
Pima County, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Office of Emergency Management's Radio System - Special Revenue Fund (the "Fund"), as listed in the table of contents, for the period from inception, April 1, 2014 through June 30, 2014, and the related notes to the basic financial statements, and have issued our report thereon November 6, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Tucson, Arizona  
November 6, 2014