



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Pima County

Year Ended June 30, 2008

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**Debra K. Davenport**  
Auditor General

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Pima County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2008

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Pima County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pima County for the year ended June 30, 2008. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Pima County for the year ended June 30, 2008, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA  
Financial Audit Director

January 20, 2010

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Pima County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2008  
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$464,593
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>464,592</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) 740-3030 Date: January 20, 2010

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2008  
(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	\$ 788,902	\$ 471,796	\$ 42,749	\$ 2,813,849	\$ 4,117,296
B. Less exclusions claimed:					
Bond proceeds (Note 2)	63,036	48,029			111,065
Debt service requirements on bonded indebtedness (Note 3)	76,542	12,493			89,035
Proceeds from other long-term obligations (Note 4)	18,370	6,995	4,352		29,717
Debt service requirements on other long-term obligations (Note 5)	6,079	8,251			14,330
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	12,098	6,822	692		19,612
Trustee or custodian (Note 7)	20,367			2,813,849	2,834,216
Grants and aid from the federal government (Notes 8 and 9)	41,459	2,733			44,192
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	4,000	85			4,085
Amounts received from the State of Arizona (Notes 8 and 11)	57,755	2,632			60,387
Quasi-external interfund transactions (Note 12)	14,128	540	36,281		50,949
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	37,251				37,251
Contracts with other political subdivisions (Notes 8 and 13)	25,223	287,154	1,424		313,801
Prior years carryforward (Note 14)	<u>25,694</u>	<u>18,370</u>	<u>          </u>	<u>          </u>	<u>44,064</u>
Total exclusions claimed	<u>402,002</u>	<u>394,104</u>	<u>42,749</u>	<u>2,813,849</u>	<u>3,652,704</u>
C. Amounts subject to the expenditure limitation	<u>\$ 386,900</u>	<u>\$ 77,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,592</u>

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2008  
(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	\$895,147	\$420,025	\$40,459	\$2,813,849	\$4,169,480
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		25,288	2,759		28,047
Amortization of deferred charges		136			136
Loss on disposal of capital assets		539	206		745
Bad debt expense (Note 20)		397			397
Claims that were reported but unpaid, or incurred but not reported (Note 15)			10,227		10,227
Other postemployment benefits expense (Note 18)		2,254	216		2,470
Expenditures of separate legal entities established under Arizona					
Revised Statutes (Note 16)	66,716				66,716
Long-term care contributions withheld by the State Treasurer (Note 17)	39,529				39,529
Involuntary court judgments (Note 19)		126	458		584
Total subtractions	<u>106,245</u>	<u>28,740</u>	<u>13,866</u>		<u>148,851</u>
C. Additions:					
Principal payments on long-term debt (Note 21)		13,071			13,071
Acquisition of capital assets		67,440	4,277		71,717
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)			11,879		11,879
Total additions		<u>80,511</u>	<u>16,156</u>		<u>96,667</u>
D. Amounts reported on Part II, Line A	<u>\$788,902</u>	<u>\$471,796</u>	<u>\$42,749</u>	<u>\$2,813,849</u>	<u>\$4,117,296</u>

See accompanying notes to report.

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Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2008  
(Amounts in Thousands)

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, which 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 Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusion claimed for bond proceeds of \$63,036 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$100,000 and from transportation revenue bond proceeds of \$25,000 reported as face amount of long-term debt. Remaining amounts of \$61,964 have been carried forward to future years.

The exclusion claimed for bond proceeds of \$48,029 in the Enterprise Funds consists of expenditures made from sewer revenue bond proceeds of \$75,000. Remaining amounts of \$26,971 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$76,542 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$56,459, \$19,757, and \$326, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$12,493 in the Enterprise Funds consists of \$7,350 and \$5,143 in Regional Wastewater Reclamation Department sewer revenue bonds principal and interest expense, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$18,370 in the Governmental Funds, \$6,995 in the Enterprise Funds and \$4,352 in the Internal Service Funds consist of expenditures made from certificates of participation proceeds and premiums of \$50,000 and \$1,219, of which a portion was transferred into the General Fund and then transferred to the Enterprise and Internal Service Fund accordingly. Remaining amounts of \$21,502 have been carried forward to future years.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2008  
(Amounts in Thousands)

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$6,079 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$3,260, \$2,815, and \$4, respectively, for capital leases.

The exclusion claimed for debt service requirements on other long-term obligations of \$8,251 in the Enterprise Funds consists of principal payments of \$5,721 and interest expense of \$1,417 on Regional Wastewater Reclamation Department long-term loans payable, and \$1,113 of capitalized interest reported as purchases of capital assets.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$12,098 in Governmental Funds includes interest on investments expended of \$6,373 and interest on delinquent taxes expended of \$5,725, which was reported as tax revenue. Of the total investment earnings revenues of \$14,218 in the Governmental Funds, \$1,354 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$6,491 have been carried forward to future years.

The exclusion for dividends, interest, and gains on the sale or redemption of investment securities in the Internal Service Funds was \$692. Remaining investment earnings revenues of \$1,414 have been carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$20,367 consists of \$14,952 in county contributions to the Arizona Health Care Cost Containment System for acute care, expenditures of antiracketeering revenues benefiting other jurisdictions totaling \$3,577, of which \$3,482 was excluded and \$95 was carried forward to future years, and expenditures of sheriff commissary revenues of \$1,933 benefitting inmates.

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	\$ 41,947
Amounts received from the State of Arizona	59,073
Highway user revenues in excess of those received in fiscal year 1979-80	53,113
Contracts with other political subdivisions	25,477
Other revenues—(nonexcludable)	<u>133,024</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$312,634</u>

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2008  
(Amounts in Thousands)

Of the \$41,947 of grants and aid from the federal government, \$488 was carried forward to future years. Of the \$59,073 of amounts received from the State of Arizona, \$1,318 was carried forward to future years. Of the \$53,113 of highway user revenues, \$37,251 was excluded and \$15,862 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the \$25,477 of contracts with other political subdivisions, \$254 was carried forward to future years.

**Note 9 -** The exclusion claimed for grants and aid from the federal government of \$2,733 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 of \$4,000 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 of \$85 in the Enterprise Funds consists of expended other revenues.

**Note 11 -** The exclusion claimed for amounts received from the State of Arizona of \$2,632 in the Enterprise Funds consists of expended net patient services revenues.

**Note 12 -** The exclusion claimed for quasi-external interfund transactions of \$14,128 in the Governmental Funds consists of expended charges for services revenues of \$13,214 and miscellaneous revenues of \$914.

The exclusion claimed for quasi-external interfund transactions of \$540 in the Enterprise Funds consists of expended net patient services revenues of \$114 and charges for services revenues of \$426.

The exclusion claimed for quasi-external interfund transactions of \$36,281 in the Internal Service Funds consists of expended charges for services revenues of \$45,420, of which \$44,305 is excludable. The remaining \$8,024 of revenues has been carried forward to future years.

**Note 13 -** The exclusion claimed for contracts with other political subdivisions of \$287,154 in the Enterprise Funds consists of expended net patient services revenues of \$286,905 and other revenues of \$249.

The exclusion claimed for contracts with other political subdivisions of \$1,424 in the Internal Service Funds consists of expended other revenues.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2008  
(Amounts in Thousands)

Note 14 - 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	\$14,773	\$18,370
Other long-term obligation proceeds	3,567	
Trustee or custodian	2,714	
Highway user revenues in excess of those received in fiscal year 1979-80	<u>4,640</u>	
Total prior years carry forward expended	<u>\$25,694</u>	<u>\$18,370</u>

Note 15 - The subtraction of \$10,227 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 \$11,879 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 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special 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>Flood Control District</u>	<u>Stadium District</u>	<u>Library District</u>	<u>Special Districts</u>	<u>Total</u>
Public safety	\$14,699				\$14,699
Highways and streets				\$ 3	3
Culture and recreation		\$3,239	\$30,298		33,537
Debt service				67	67
Capital Projects Fund:					
Capital outlay	<u>13,455</u>		<u>3,755</u>	<u>1,200</u>	<u>18,410</u>
Total	<u>\$28,154</u>	<u>\$3,239</u>	<u>\$34,053</u>	<u>\$1,270</u>	<u>\$66,716</u>

The capital outlay expenditures reported in the Capital Projects Fund were made from monies transferred from the special districts in current and prior fiscal years.

Note 17 - The subtraction 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.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2008  
(Amounts in Thousands)

- Note 18 - The subtraction of \$2,254 and \$216 for other postemployment benefits expense consists of amounts expensed in the current year but not yet paid.
- Note 19 - The subtraction of \$126 in the Enterprise Funds and \$458 in the Internal Service Funds for involuntary court judgments or involuntary settlements are payments made for the settlement of court claims against Pima County that were incurred and paid in the current year. These settlements are reported as general and administrative expenses.
- Note 20 - The subtraction for bad debt expense in the Enterprise Funds of \$397 is included in the Regional Wastewater Reclamation Department Fund's general and administrative expenses.
- Note 21 - The addition of \$13,071 for principal payments on long-term debt in the Enterprise Funds consists of \$7,350 in sewer revenue bond payments and \$5,721 in loan payments.