



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2012



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2012

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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 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, 2012. 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, 2012, 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, the Board of Supervisors, management, and others within the County, 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

June 24, 2013

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Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2012
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$501,744
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>494,542</u>
3. Amount under the expenditure limitation	<u>\$ 7,202</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: June 21, 2013

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2012
(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	\$ 820,108	\$ 367,509	\$ 42,823	\$ 2,710,812	\$ 3,941,252
B. Less exclusions claimed:					
Bond proceeds (Note 2)	8,462				8,462
Debt service requirements on bonded indebtedness (Note 3)	91,090	19,639			110,729
Proceeds from other long-term obligations (Note 4)		176,358			176,358
Debt service requirements on other long-term obligations (Note 5)	13,539	8,910			22,449
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	2,053	118	1,260		3,431
Trustee or custodian (Note 7)	26,916			2,710,812	2,737,728
Grants and aid from the federal government (Notes 8 and 9)	70,036	906			70,942
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	3,346				3,346
Amounts received from the State of Arizona (Note 8)	35,303				35,303
Quasi-external interfund transactions (Note 11)	19,506		31,939		51,445
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	19,346				19,346
Contracts with other political subdivisions (Notes 8 and 12)	47,910	52,350	1,239		101,499
Prior years carryforward (Note 13)	<u>72,732</u>	<u>32,940</u>			<u>105,672</u>
Total exclusions claimed	<u>410,239</u>	<u>291,221</u>	<u>34,438</u>	<u>2,710,812</u>	<u>3,446,710</u>
C. Amounts subject to the expenditure limitation	<u>\$ 409,869</u>	<u>\$ 76,288</u>	<u>\$ 8,385</u>	<u>\$ -</u>	<u>\$ 494,542</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2012
(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	\$ 916,873	\$ 186,563	\$ 33,821	\$ 2,710,812	\$ 3,848,069
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		35,819	3,510		39,329
Amortization of deferred charges		941			941
Loss on disposal of capital assets			25		25
Bad debt expense (Note 18)		349	19		368
Claims that were reported but unpaid, or incurred but not reported (Note 14)			2,209		2,209
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	57,374				57,374
Long-term care contributions withheld by the State Treasurer (Note 16)	39,360				39,360
Payments made to reimburse the Arizona Department of Health Services (Note 17)	31				31
Amount of involuntary court judgements or involuntary settlements		<u>3,080</u>			<u>3,080</u>
Total subtractions	<u>96,765</u>	<u>40,189</u>	<u>5,763</u>		<u>142,717</u>
C. Additions:					
Principal payments on long-term debt (Note 19)		22,030			22,030
Acquisition of capital assets		199,105	7,158		206,263
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)			<u>7,607</u>		<u>7,607</u>
Total additions		<u>221,135</u>	<u>14,765</u>		<u>235,900</u>
D. Amounts reported on Part II, Line A	<u>\$ 820,108</u>	<u>\$ 367,509</u>	<u>\$ 42,823</u>	<u>\$ 2,710,812</u>	<u>\$ 3,941,252</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts in Thousands)

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report is presented on the basis of accounting prescribed by the uniform expenditure reporting system, 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 reporting requirements, a note to the report 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 \$8,462 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$60,000 and from transportation bond proceeds of \$18,425 reported as face amount of long-term debt, and from the general obligations bond premium of \$1,575. Unexpended bond proceeds of \$71,538 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$91,090 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$67,995, \$21,936, and \$1,159, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$19,639 in the Enterprise Funds consists of \$13,120 and \$6,519 in Regional Wastewater Reclamation Department sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$176,358 in the Enterprise Funds consists of expenditures made from sewer revenue obligation proceeds of \$189,160 and from sewer revenue obligations premium of \$21,682. Remaining amounts of \$34,484 have been carried forward to future years.

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$13,539 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$10,693, \$2,826, and \$20, respectively.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$8,910 in the Enterprise Funds consists of \$5,225 of sewer revenue obligations and \$3,685 of loan payments on Regional Wastewater Reclamation Department long-term loans payable.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$2,053 in the Governmental Funds consists of expended investment earnings and interest on delinquent taxes. Of the total investment earnings revenues of \$2,286 in the Governmental Funds, \$721 was excluded and \$290 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,275 have been carried forward to future years. Of the total for interest on delinquent taxes of \$7,672, which was reported as tax revenue, \$1,332 was excluded and the remaining amounts of \$6,340 were carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$118 in the Enterprise Funds consists of expended investment earnings. The remaining \$883 was carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$26,916 consists of \$17,401 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, administrative costs, \$6,776 in transfers to the State General Fund, \$1,820 in Sheriff Commissary revenues, and antiracketeering revenues of \$2,051. The remaining revenues of \$1,132 have been carried forward to future years.

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	\$ 70,036
Amounts received from the State of Arizona	37,738
Highway user revenues in excess of those received in fiscal year 1979-80	40,156
Contracts with other political subdivisions	49,810
Other revenues—(nonexcludable)	<u>130,199</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$327,939</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts in Thousands)

Of the \$37,738 of amounts received from the State of Arizona, \$35,303 was claimed as an exclusion. The remaining \$2,435 was carried forward to future years. Of the \$40,156 of highway user revenues, \$19,346 was excluded; \$16,409 was transferred, spent, and excluded as debt service requirements on bonded indebtedness; and \$4,401 was carried forward to future years. Of the \$49,810 of contracts with other political subdivisions, \$47,910 was claimed as an exclusion and the remaining \$1,900 was carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$906 in the Enterprise Funds consists of expended intergovernmental revenues.

Note 10 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$3,346 in the Governmental Funds consists of expended miscellaneous revenues. Remaining amounts of \$351 were carried forward to future years.

Note 11 - The exclusion claimed for quasi-external interfund transactions of \$19,506 in the Governmental Funds consist of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$31,939 in the Internal Service Funds consists of the expended portion of charges for services revenues of \$42,585, of which \$40,722 is excludable as quasi-external interfund transactions. The remaining \$8,783 of revenues has been carried forward to future years.

Note 12 - The exclusion claimed for contracts with other political subdivisions of \$52,350 in the Enterprise Funds consists of expended net patient services revenues of \$52,018 and \$332 of other revenues.

The exclusion claimed for contracts with other political subdivisions of \$1,239 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:

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts in Thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Bond proceeds	\$54,886	
Other long-term obligations proceeds	6,368	\$32,940
Grants, aid, contributions or gifts, from a private agency, organization, or individual	582	
Amounts received from the State of Arizona	510	
Highway user revenues in excess of those received in fiscal year 1979-80	10,314	
Dividends, interest, and gains on the sale or redemption of investment securities	58	
Contracts with other political subdivisions	<u>14</u>	
Total prior years carryforward expended	<u>\$72,732</u>	<u>\$32,940</u>

Note 14 - The subtraction of \$2,209 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 \$7,607 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 15 - 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>Special Districts</u>	<u>Total</u>
Public safety	\$10,663				\$10,663
General government				\$136	136
Culture and recreation		\$3,604	\$31,982		35,586
Capital Projects Fund:					
Capital outlay	<u>10,989</u>				<u>10,989</u>
Total	<u>\$21,652</u>	<u>\$3,604</u>	<u>\$31,982</u>	<u>\$136</u>	<u>\$57,374</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 16 - 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, 2012
(Amounts in Thousands)

- Note 17 - The subtraction of \$31 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 costs of commitment of an individual determined to be sexually violent by the court, as required by Laws 2011, Chapter 31, Sections 20 and 21, which were recorded as welfare expenditures.
- Note 18 - The subtraction for bad debt expense for \$349 in the Enterprise Funds and \$19 in the Internal Service Funds are reported under the general and administrative expenses.
- Note 19 - The addition of \$22,030 for principal payments on long-term debt in the Enterprise Funds consists of \$13,120 in sewer revenue bond payments, \$5,225 in sewer revenue obligation payments, and \$3,685 in Regional Wastewater Reclamation loan payments.

