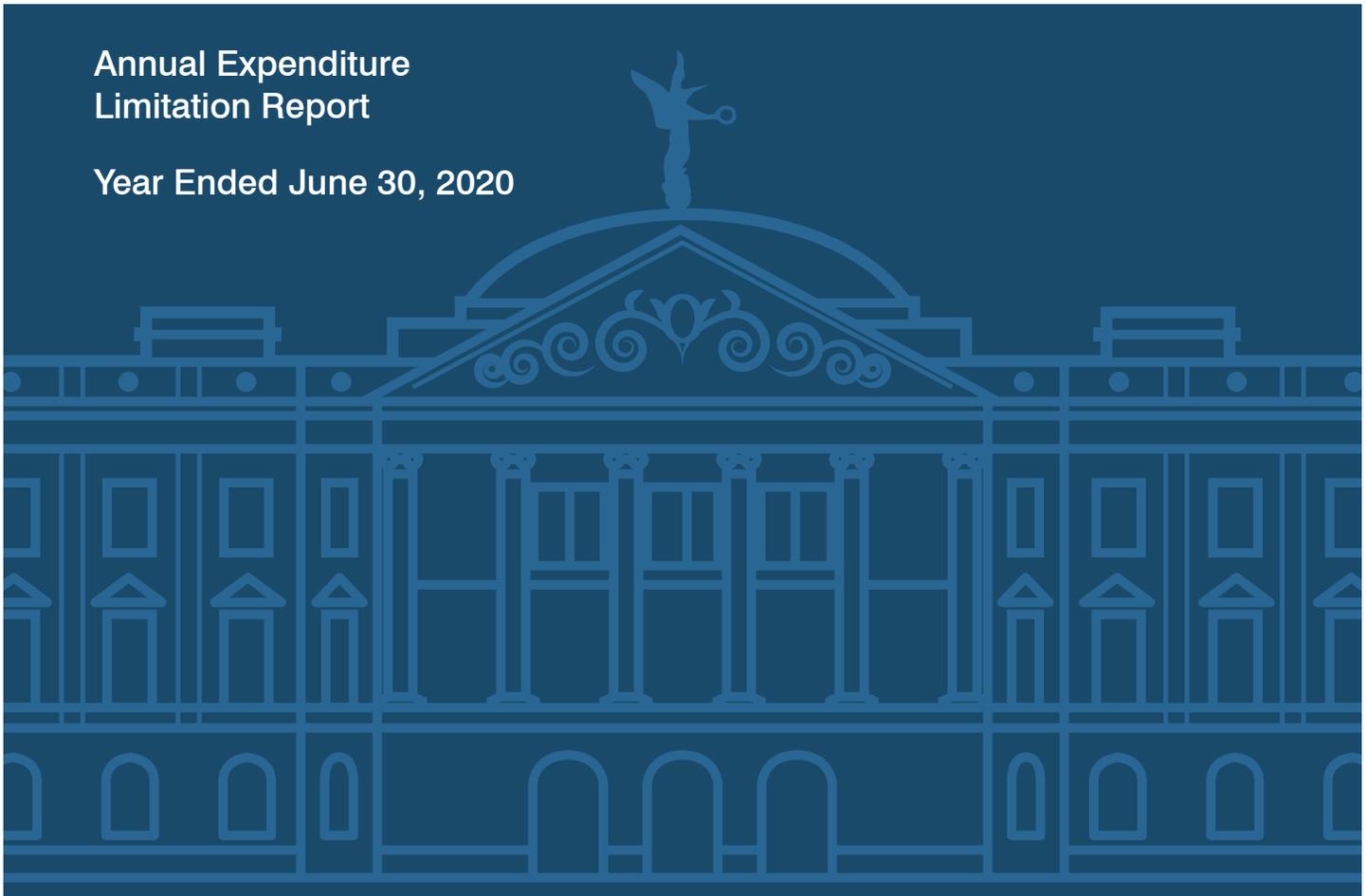


Pima County

Annual Expenditure
Limitation Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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 (report) of Pima County for the year ended June 30, 2020, 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.

Donna Miller

Donna Miller, CPA
Director, Financial Audit Division

May 20, 2021

Pima County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2020
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$595,104
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>564,329</u>
3. Amount under the expenditure limitation	<u>\$ 30,775</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: Michelle Campagne, Finance Director

Telephone number: (520) 724-8410 Date: May 20, 2021

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2020
(Amounts in thousands)

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 890,825	\$ 207,286	\$ 143,730	\$ 3,393,668	\$ 4,635,509
B. Less exclusions claimed:					
Debt proceeds (Note 2)	28,701	37,770			66,471
Debt service requirements (Note 3)	107,662	76,359			184,021
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	192				192
Trustee or custodian (Note 5)	20,898			3,393,668	3,414,566
Grants and aid from the federal government (Note 6)	85,379				85,379
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	4,794	71			4,865
Amounts received from the State of Arizona (Note 6)	37,108				37,108
Quasi-external interfund transactions (Note 8)	20,695	351	102,519		123,565
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	48,638				48,638
Contracts with other political subdivisions (Notes 6 and 9)	20,262	140	204		20,606
Refunds, reimbursements, and other recoveries (Note 10)	256	3	3,984		4,243
Prior years carryforward (Note 11)	<u>56,485</u>	<u>6,284</u>	<u>18,757</u>		<u>81,526</u>
Total exclusions claimed	<u>431,070</u>	<u>120,978</u>	<u>125,464</u>	<u>3,393,668</u>	<u>4,071,180</u>
C. Amounts subject to the expenditure limitation	<u>\$ 459,755</u>	<u>\$ 86,308</u>	<u>\$ 18,266</u>	<u>\$ -</u>	<u>\$ 564,329</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2020
(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	\$ 1,016,071	\$ 161,070	\$ 138,950	\$ 3,393,668	\$ 4,709,759
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		58,108	8,460		66,568
Loss on disposal of capital assets		385			385
Bad debt expense (Note 12)		672			672
Pension and other postemployment benefits (OPEB) expense (Note 13)		1,480	1,400		2,880
Claims incurred but not reported (IBNR) (Note 14)			67,474		67,474
Expenditures of separate legal entities established under					
Arizona Revised Statutes (Note 15)	78,792				78,792
Long-term care contributions the State Treasurer withheld (Note 16)	45,157				45,157
Required fees/reimbursements made to Arizona State agencies (Note 17)	618				618
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	679				679
Total subtractions	<u>125,246</u>	<u>60,645</u>	<u>77,334</u>		<u>263,225</u>
C. Additions:					
Principal payments on long-term debt		61,133			61,133
Capital asset acquisitions		42,598	12,996		55,594
Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (Note 14)			68,057		68,057
Pension and OPEB contributions paid in the current year (Note 13)		3,130	1,061		4,191
Total additions		<u>106,861</u>	<u>82,114</u>		<u>188,975</u>
D. Amounts reported on part II, line A	<u>\$ 890,825</u>	<u>\$ 207,286</u>	<u>\$ 143,730</u>	<u>\$ 3,393,668</u>	<u>\$ 4,635,509</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020
(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 \$28,701 in the governmental funds consists of expenditures made from certificates of participation proceeds of \$56,020 and premium of \$5,588. Remaining amounts of \$32,907 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$37,770 in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of \$35,295 and premium of \$5,049. Remaining amounts of \$2,574 have been carried forward to future years.

Note 3

The exclusion claimed for debt service requirements of \$107,662 in the governmental funds consists of principal, interest, and miscellaneous charges of \$90,018, \$17,630 and \$14, respectively.

The exclusion claimed for debt service requirements of \$76,359 in the enterprise funds consists of principal, interest, debt issuance cost, and loss on debt defeasance of \$61,133, \$14,668, \$21, and \$537, respectively, on Regional Wastewater Reclamation Department sewer revenue obligations and long-term loan payable.

Note 4

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$192 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$7,417 in the governmental funds, \$192 was excluded and \$679 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$6,546 have been carried forward to future years. All \$4,817 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, 2020
(Amounts in thousands)

All \$4,045 of dividends, interest, and gains on the sale or redemption of investment securities in the enterprise funds was carried forward to future years.

All \$4,483 of dividends, interest, and gains on the sale or redemption of investment securities in the internal service funds was carried forward to future years.

Note 5

The exclusion claimed for trustee or custodian in the governmental funds of \$20,898 consists of \$16,599 in County contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$1,847 in sheriff commissary revenues; and \$2,452 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:

Description	
Grants and aid from the federal government	\$ 85,379
Amounts received from the State of Arizona	37,211
Highway user revenues in excess of those received in fiscal year 1979-80	60,078
Contracts with other political subdivisions	20,262
Other revenues—(nonexcludable)	<u>161,680</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$364,610</u>

The total amount of \$85,379 for grants and aid from the federal government was excluded. Of the \$37,211 of amounts received from the State of Arizona, \$37,108 was excluded and \$103 was carried forward to future years. Of the \$60,078 of highway user revenues, \$48,638 was excluded, and \$11,440 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. The total amount of \$20,262 for contracts with other political subdivisions was excluded.

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 \$4,794 in the governmental funds consists of expended miscellaneous revenues. Remaining revenues of \$176 have been carried forward to future years.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization or individual, except amounts received in lieu of taxes of \$71 in the enterprise funds consists of expended other revenues. Remaining revenues of \$426 have been carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020
(Amounts in thousands)

Note 8

The exclusion claimed for quasi-external interfund transactions of \$20,695 in the governmental funds consists of expenditures of charges for services revenues. The remaining revenues of \$350 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$351 in the enterprise funds consists of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$102,519 in the internal service funds consists of the expended portion of charges for services revenues of \$120,412, of which \$111,376 is excludable as quasi-external interfund transactions. The remaining revenues of \$8,857 have been carried forward to future years.

Note 9

The exclusion claimed for contracts with other political subdivisions of \$140 in the enterprise funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$204 in the internal service funds consists of expended charges for services revenues.

Note 10

The exclusion claimed for refunds, reimbursements, and other recoveries of \$256 in the governmental funds consists of expended miscellaneous revenues resulting from stale dated warrant recoveries, credit card rebates, refunds from court ordered services, and other reimbursements.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$3 in the enterprise funds consists of expended other revenues resulting from stale dated warrant recoveries and other reimbursements.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$3,984 in the internal service funds consists of expended other revenues resulting from stale dated warrant recoveries and pharmacy rebates.

Note 11

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, 2020
(Amounts in thousands)

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>	<u>Total</u>
Bond proceeds	\$39,630	\$6,284		\$45,914
Quasi-external interfund transactions	<u>16,855</u>	<u> </u>	\$18,757	<u>35,612</u>
Total prior years carryforward expended	<u>\$56,485</u>	<u>\$6,284</u>	<u>\$18,757</u>	<u>\$81,526</u>

Note 12

The subtraction of \$672 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

Note 13

The \$2,880 subtraction for pension and other postemployment benefits (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise funds and internal service funds. The \$4,191 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds and internal service funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

	Enterprise Funds	Internal service funds
Statement of cash flows		
Change in net pension and OPEB asset	\$ 27	\$ 7
Change in deferred inflows related to pensions and OPEB	(1,932)	(569)
Change in deferred outflows related to pensions and OPEB	1,153	639
Change in net pension and OPEB liability	<u>(898)</u>	<u>262</u>
Total	<u>\$(1,650)</u>	<u>\$ 339</u>
AELR Reconciliation		
Pension/OPEB contributions – addition	\$ 3,130	\$1,061
Pension/OPEB expense(income) – subtraction	<u>1,480</u>	<u>1,400</u>
Total	<u>\$ 1,650</u>	<u>\$ (339)</u>

Note 14

The subtraction of \$67,474 for claims 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 \$68,057 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.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020
(Amounts in thousands)

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>Improvements and other districts</u>	<u>Rocking K South CFD</u>	<u>Total</u>
Public safety	\$14,132					\$14,132
General government				\$195		195
Culture and recreation		\$4,578	\$37,394			41,972
Education and economic opportunity					\$15	15
Capital projects fund:						
Capital outlay	<u>16,038</u>	<u>1,000</u>	<u>5,440</u>			<u>22,478</u>
Total	<u>\$30,170</u>	<u>\$5,578</u>	<u>\$42,834</u>	<u>\$195</u>	<u>\$15</u>	<u>\$78,792</u>

Note 16

The subtraction of \$45,157 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 17

The subtraction of \$618 for required fees/reimbursements paid to Arizona State agencies consist of payment to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs, which were recorded as general government expenditures.

