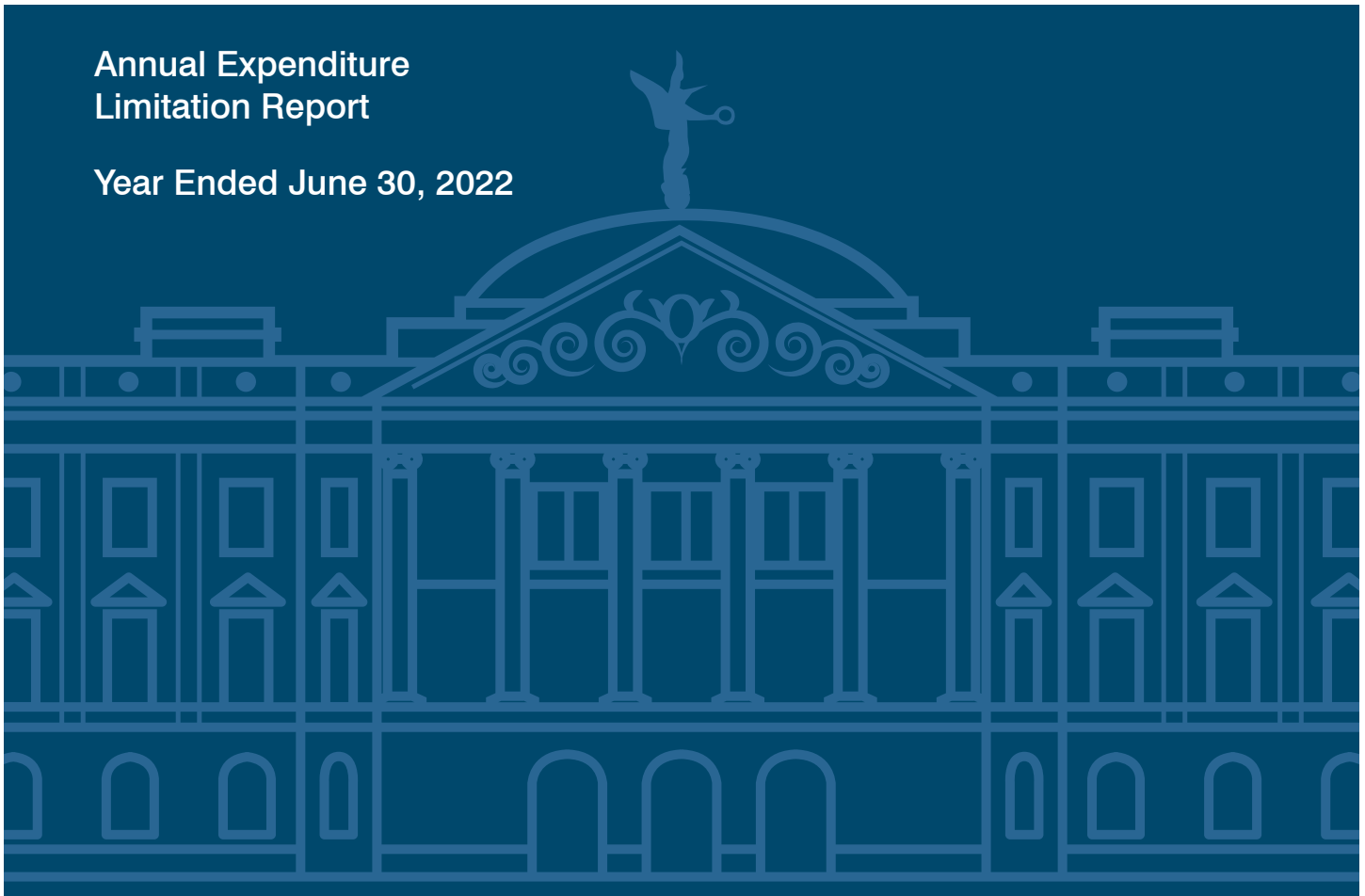


# Pima County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2022



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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## Audit Staff

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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, 2022, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

July 11, 2023

**Pima County**  
**Annual Expenditure Limitation Report—Part I**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

1. Economic Estimates Commission expenditure limitation	\$623,628
2. Amount subject to the expenditure limitation (total amount from Part II, line C)	<u>623,627</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: Ellen Moulton, Finance Director

Telephone number: (520) 724-8410 Date: July 11, 2023

See accompanying notes to report.

**Pima County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2022**  
**(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	\$ 1,294,412	\$ 224,232	\$ 135,968	\$ 3,576,835	\$ 5,231,447
B. Less exclusions claimed:					
Debt proceeds (Note 2)	46,853	22,547			69,400
Debt service requirements (Note 3)	109,153	80,421			189,574
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	6,598	4	41		6,643
Trustee or custodian (Note 5)	23,507			3,576,835	3,600,342
Grants and aid from the federal government (Note 6)	124,243				124,243
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	8,368	293			8,661
Amounts received from the State of Arizona (Note 6)	40,230				40,230
Quasi-external interfund transactions (Note 8)	25,533	303	123,882		149,718
Amounts accumulated for the purchase of land, buildings, or improvements (Note 6)	7,813				7,813
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	47,667				47,667
Contracts with other political subdivisions (Notes 6 and 9)	21,172		342		21,514
Refunds, reimbursements, and other recoveries (Note 10)	202	16	5,137		5,355
Prior years carryforward (Note 11)	<u>326,193</u>	<u>3,901</u>	<u>6,566</u>		<u>336,660</u>
Total exclusions claimed	<u>787,532</u>	<u>107,485</u>	<u>135,968</u>	<u>3,576,835</u>	<u>4,607,820</u>
C. Amounts subject to the expenditure limitation	<u>\$ 506,880</u>	<u>\$ 116,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,627</u>

See accompanying notes to report.

**Pima County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 1,425,929	\$ 162,675	\$ 138,843	\$ 3,576,835	\$ 5,304,282
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		58,705	9,542		68,247
Loss on disposal of capital assets		790	273		1,063
Bad debt expense (Note 12)		623			623
Pension and other postemployment benefits (OPEB) expense (Note 13)		886	189		1,075
Claims incurred but not reported (IBNR) (Note 14)			74,148		74,148
Total expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	84,754				84,754
Long-term care contributions the State Treasurer withheld (Note 16)	44,073				44,073
Present value of net minimum lease and financed purchased contract payments recorded as expenditures at the agreements' inception (Note 17)	2,690				2,690
Total subtractions	<u>131,517</u>	<u>61,004</u>	<u>84,152</u>		<u>276,673</u>
C. Additions:					
Principal payments on long-term debt		68,700			68,700
Capital asset acquisitions		50,747	6,718		57,465
Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (Note 14)			73,492		73,492
Pension and OPEB contributions paid in the current year (Note 13)		3,114	1,067		4,181
Total additions		<u>122,561</u>	<u>81,277</u>		<u>203,838</u>
D. Amounts reported on part II, line A	<u>\$ 1,294,412</u>	<u>\$ 224,232</u>	<u>\$ 135,968</u>	<u>\$ 3,576,835</u>	<u>\$ 5,231,447</u>

See accompanying notes to report.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(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 \$46,853 in the governmental funds consists of expenditures made from certificates of participation proceeds of \$50,000. Remaining amounts of \$3,147 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$22,547 in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of \$45,000. Remaining amounts of \$22,453 have been carried forward to future years.

**Note 3**

The exclusion claimed for debt service requirements of \$109,153 in the governmental funds consists of principal, interest, and miscellaneous charges of \$90,404, \$18,732, and \$17, respectively.

The exclusion claimed for debt service requirements of \$80,421 in the enterprise funds consists of principal, interest, debt issuance cost, and loss on debt defeasance of \$68,700, \$11,676, \$32, and \$13, 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 \$6,598 in the governmental funds consists of expended investment earnings and interest on delinquent taxes. Of the total investment earnings revenues of \$1,622 in the governmental funds, \$1,682 was excluded, \$191 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and the negative investment earnings amount of (\$381) was not excludable. Remaining investment earnings revenue of \$130 has been carried forward to future years. All \$4,916 of interest on delinquent taxes that was reported as tax revenue was excluded in the current year.



**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

Of the combined (\$530) reported as negative investment earnings on the statement of revenues, expenditures, and changes in fund balance in the enterprise funds, \$4 was revenue received and expended and claimed as an exclusion for dividends, interest, and gains on the sale or redemption of investment securities. The remaining (\$534) was not excludable.

Of the combined (\$2,287) reported as negative investment earnings on the statement of revenues, expenditures, and changes in fund balance in the internal service funds, \$41 was revenue received and expended and claimed as an exclusion for dividends, interest, and gains on the sale or redemption of investment securities. The remaining (2,328) was not excludable.

**Note 5**

The exclusion claimed for trustee or custodian in the governmental funds of \$23,507 consists of \$16,671 in County contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$1,963 in sheriff commissary revenues; and \$4,873 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, contracts with other political subdivisions, and amounts accumulated for the purchase of land, buildings, and improvements in the governmental funds. The amounts excluded do not exceed expenditures of such revenues.

<b>Description</b>	
Grants and aid from the federal government	\$138,114
Amounts received from the State of Arizona	41,786
Highway user revenues in excess of those received in fiscal year 1979-80	68,957
Contracts with other political subdivisions	21,272
Amounts accumulated for the purchase of land, buildings, and improvements	17,777
Other revenues—(nonexcludable)	<u>193,666</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$481,572</u>

Of the \$138,114 for grants and aid from the federal government, \$124,243 was excluded, \$209 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and \$13,662 was carried forward to future years. Of the \$41,786 amount received from the State of Arizona, \$40,230 was excluded, \$1,248 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and \$308 was carried forward to future years. Of the \$68,957 of highway user revenues, \$47,667 was excluded, and \$21,290 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the total amount \$21,272 for contracts with other political subdivisions, \$21,172 was excluded, and \$100 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Of the \$17,777 accumulated for the purchase of land, buildings, and improvements, \$7,813 was excluded and \$9,964 was carried forward to future years.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

**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 \$8,368 in the governmental funds consists of expended miscellaneous revenues. Remaining revenues of \$382 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 \$293 in the enterprise funds consists of expended other revenues.

**Note 8**

The exclusion claimed for quasi-external interfund transactions of \$25,533 in the governmental funds consists of expenditures of charges for services revenues. The remaining revenues of \$1,107 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$303 in the enterprise funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$123,882 in the internal service funds consists of the expended portion of charges for services revenues of \$137,658, of which \$128,229 is excludable as quasi-external interfund transactions and \$9,429 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. The remaining revenues of \$4,347 have been carried forward to future years.

**Note 9**

The exclusion claimed for contracts with other political subdivisions of \$342 in the internal service funds consists of expended charges for services revenues.

**Note 10**

The exclusion claimed for refunds, reimbursements, and other recoveries of \$202 in the governmental funds consists of expended miscellaneous revenues resulting from stale-dated warrant recoveries, credit card rebates, and refunds from court-ordered services.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$16 in the enterprise funds consists of expended other revenues resulting from stale-dated warrant recoveries.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$5,137 in the internal service funds consists of expended other revenues resulting from pharmacy rebates.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

**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:

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>	<u>Total</u>
Debt proceeds	\$283,700	\$3,841		\$287,541
Dividends, interest, gains on the sale or redemption of investment securities	3,508	60		3,568
Amounts received from the State of Arizona	408			408
Quasi-external interfund transactions	12,179		\$6,566	18,745
Highway user revenues in excess of those received in fiscal year 1979-80	<u>26,398</u>			<u>26,398</u>
Total prior years carryforward expended	<u>\$326,193</u>	<u>\$3,901</u>	<u>\$6,566</u>	<u>\$336,660</u>

**Note 12**

The subtraction of \$623 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

**Note 13**

The \$1,075 subtraction for pension and other post-employment benefit (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 \$4,181 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.

<u>Statement of cash flows</u>	<u>Enterprise funds</u>	<u>Internal service funds</u>
Change in net pension and OPEB asset	\$ (890)	\$ (304)
Change in deferred inflows related to pensions and OPEB	10,005	3,424
Change in deferred outflows related to pensions and OPEB	198	94
Change in net pension and OPEB liability	<u>(11,541)</u>	<u>(4,092)</u>
Total	<u>\$ (2,228)</u>	<u>\$ (878)</u>
 <b><u>AELR Reconciliation</u></b>		
Pension/OPEB contributions – addition	\$ 886	\$189
Pension/OPEB expense(income) – subtraction	<u>(3,114)</u>	<u>(1,067)</u>
Total	<u>\$ (2,228)</u>	<u>\$ (878)</u>

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

**Note 14**

The subtraction of \$74,148 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 \$73,492 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>Improvements and other districts</u>	<u>Community facilities districts</u>	<u>Total</u>
Public safety	\$14,980					\$14,980
General government				\$232		232
Culture and recreation		\$7,433	\$42,650			50,083
Interest and other charges			72		\$13	85
Capital projects fund:						
Capital outlay	<u>15,347</u>	<u>2,036</u>	<u>1,991</u>	<u>      </u>	<u>      </u>	<u>19,374</u>
Total	<u>\$30,327</u>	<u>\$9,469</u>	<u>\$44,713</u>	<u>\$232</u>	<u>\$13</u>	<u>\$84,754</u>

The County's capital outlay for the separate legal entities consists of transfers out, PAYGO funds, and interest earned on debt proceeds.

**Note 16**

The subtraction of \$44,073 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 \$2,690 for the present value of net minimum lease and financed purchased contract payments recorded as expenditures at the agreements’ inception, consists of new leases recorded in the governmental funds. An additional \$761 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2022**  
**(Amounts in thousands)**

**Note 18**

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. The reductions include prior year carryforward amounts spent and excluded in the current year and amounts no longer available for future carryforward. A summary of the revenue sources and the changes in their balances is shown in the table below:

<b>Description</b>	<b>Balance June 30, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2022</b>
Debt proceeds	\$326,237	\$25,600	\$288,481	\$ 63,356
Dividends, interest, and gains on the sale or redemption of investment securities	132,145	130	5,593	126,682
Trustee or custodian	12,109			12,109
Grants and aid from the federal government	2,386	13,662	44	16,004
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	7,917	382	8	8,291
Amounts received from the State of Arizona	7,711	308	416	7,603
Quasi-external interfund transactions	97,400	5,454	20,129	82,725
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements		9,964		9,964
Highway user revenues in excess of those received in fiscal year 1979-80	50,290		26,398	23,892
Contracts with other political subdivisions	5,403		37	5,366
Total carryforward	<u>\$641,598</u>	<u>\$55,500</u>	<u>\$341,106</u>	<u>\$355,992</u>

