



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Annual Expenditure Limitation Report

Pima County

Year Ended June 30, 2002



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2002

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
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, 2002. 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, 2002, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

November 3, 2003

Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2002
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$345,047
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>340,213</u>
3. Amount under the expenditure limitation	<u>\$ 4,834</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: Carol Bonchalk, Director of Financial and Information Services

Telephone Number: (520) 740-8401 Date: _____

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2002
(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	\$ 566,683	\$ 294,099	\$ 25,684	\$1,885,792	\$ 2,772,258
B. Less exclusions claimed:					
Bond proceeds (Note 2)	76,275				76,275
Debt service requirements on bonded indebtedness (Note 3)	48,102	8,043			56,145
Proceeds from other long-term obligations (Note 4)	5,100	28,647			33,747
Debt service requirements on other long-term obligations (Note 5)	3,752	5,295			9,047
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)					-
Trustee or custodian (Note 7)	15,696			1,885,792	1,901,488
Grants and aid from the federal government (Notes 8 & 9)	55,356	10,193	3		65,552
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	689	549			1,238
Amounts received from the State of Arizona (Notes 8 & 11)	43,681	1,309			44,990
Quasi-external interfund transactions (Note 12)	7,908	13,568	25,665		47,141
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	28,148				28,148
Contracts with other political subdivisions (Notes 8 & 13)	12,162	143,133			155,295
Prior years carryforward (Note 14)	<u>12,979</u>	<u> </u>	<u> </u>	<u> </u>	<u>12,979</u>
Total exclusions claimed	<u>309,848</u>	<u>210,737</u>	<u>25,668</u>	<u>1,885,792</u>	<u>2,432,045</u>
C. Amounts subject to the expenditure limitation	<u>\$ 256,835</u>	<u>\$ 83,362</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 340,213</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2002
(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 reported within the fund financial statements	\$ 619,697	\$ 273,490	\$ 27,863	\$1,885,792	\$ 2,806,842
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		18,570	1,981		20,551
Amortization of deferred charges		89			89
Loss on disposal of capital assets		162	62		224
Bad debt expense (Note 15)		7,475			7,475
Changes in claims estimates (Note 16)			1,862		1,862
Landfill closure and postclosure care costs		1,030			1,030
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	19,734				19,734
Long-term care contributions withheld by the State Treasurer (Note 18)	32,690				32,690
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>590</u>				<u>590</u>
Total subtractions	<u>53,014</u>	<u>27,326</u>	<u>3,905</u>		<u>84,245</u>
C. Additions:					
Principal payments on long-term debt (Note 19)		7,662			7,662
Acquisition of capital assets		<u>40,273</u>	<u>1,726</u>		<u>41,999</u>
Total additions		<u>47,935</u>	<u>1,726</u>		<u>49,661</u>
D. Amounts reported on Part II, Line A	<u>\$ 566,683</u>	<u>\$ 294,099</u>	<u>\$ 25,684</u>	<u>\$1,885,792</u>	<u>\$ 2,772,258</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002
(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 (A.R.S.) §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 \$76,275 in the Governmental Funds consists of expenditures made from general obligation and transportation revenue bond proceeds of \$75,000, which was included in the \$81,921 reported as face amount of long-term debt, \$22,420, reported as refunding bonds, and \$762 reported as premium on bonds. Remaining amounts of \$21,907 were carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$48,102 in the Governmental Funds consists of principal, interest, and fiscal charges of \$35,358, \$12,366, and \$378, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$8,043 in the Enterprise Funds consists of \$4,120 and \$3,923 in Wastewater Management sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$5,100 in the Governmental Funds consists of proceeds from a transportation long-term loan.

The exclusion claimed for proceeds from other long-term obligations of \$28,647 in the Enterprise Funds consists of expenditures made from proceeds of a wastewater management long-term loan.

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,752 in the Governmental Funds consists of principal, interest, and fiscal charges on capital leases and certificates of participation of \$1,984, \$1,762, and \$6, respectively.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$5,295 in the Enterprise Funds consists of principal and interest payments on wastewater management long-term loans payable of \$3,542 and \$1,753, respectively.

Note 6 - Dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds includes \$6,952 of interest on investments and \$4,707 of interest on delinquent taxes, which was reported as tax revenue. Of the total revenues, \$583 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities, and \$11,076 was carried forward to future years.

Dividends, interest, and gains on the sale or redemption of investment securities of \$2,888 in the Enterprise Funds consisted of interest on investments and was carried forward to future years.

Dividends, interest, and gains on the sale or redemption of investment securities of \$1,151 in the Internal Service Funds consisted of interest on investments and was carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian of \$15,696 in the Governmental Funds consists of \$14,952 in county contributions to the Arizona Health Care Cost Containment System for acute care and \$744 of antiracketeering expenditures, benefiting other jurisdictions, which were reported as general government expenditures. In addition, the County received antiracketeering revenues of \$1,549 that were carried forward to future years.

The exclusion claimed for trustee or custodian in the Fiduciary Funds consists of \$1,885,792 in distributions to participants.

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.

Description	
Grants and aid from the federal government	\$ 72,411
Amounts received from the State of Arizona	48,278
Highway user revenues in excess of those received in fiscal year 1979-80	42,341
Contracts with other political subdivisions	12,162
Other revenues (nonexcludable)	<u>85,026</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$260,218</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002
(Amounts in Thousands)

Of the \$72,411 of grants and aid from the federal government, \$55,356 was excluded for federal grants. The remaining \$3,801 and \$13,254 of federal grants and disproportionate share settlements, respectively, were carried forward to future years.

Of the \$48,278 of amounts received from the State of Arizona, \$43,681 was excluded, and \$4,597 was carried forward to future years.

Of the \$42,341 of highway user revenues, \$28,148 was excluded and \$6,210 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$7,983 was carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$10,193 in the Enterprise Funds consists of \$6,670 of Medicare receipts, which were reported as net patient services revenue, and \$3,523 in grants, which were reported as nonoperating revenues.

The exclusion claimed for grants and aid from the federal government of \$3 in the Internal Service Funds was reported as other revenues.

Note 10 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$689 in the Governmental Funds consists of \$26, which was reported as charges for services revenue, and \$663, which was reported as miscellaneous revenue.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$549 in the Enterprise Funds was reported as nonoperating revenues.

Note 11 - The exclusion claimed for amounts received from the State of Arizona of \$1,309 in the Enterprise Funds consists of \$905 in grants reported as nonoperating revenues, and \$404 reported as net patient services revenue.

Note 12 - The exclusion claimed for quasi-external interfund transactions of \$7,908 in the Governmental Funds consists of \$6,568 reported as charges for services revenue and \$1,340 reported as of miscellaneous revenues.

The exclusion claimed for quasi-external interfund transactions of \$13,568 in the Enterprise Funds was reported as net patient services revenue.

The exclusion claimed for quasi-external interfund transactions of \$25,665 in the Internal Service Funds was reported as operating revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002
(Amounts in Thousands)

Note 13 - The exclusion claimed for contracts with other political subdivisions of \$143,133 in the Enterprise Funds was reported as net patient services revenue. Remaining amounts of \$1,871 were carried forward to future years.

Contracts with other political subdivisions of \$301 in the Internal Services Funds was reported as charges for services revenue and was carried forward to future years.

Note 14 - Prior years carryforward in the Governmental Funds consists of constitutionally excludable bond proceeds that were unexpended in the year of receipt and were expended in the current year.

Note 15 - The subtraction for bad debt expense of \$7,475 in the Enterprise Funds was reported as general and administrative expenses.

Note 16 - The subtraction for current year claims and changes in estimates of \$1,862 consists of the estimated costs of claims incurred and expensed in the current year, but not yet paid in the Internal Service Funds.

Note 17 - The subtraction for separate legal entities established under A.R.S. consists of expenditures that were 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:

	Special Assessment <u>Districts</u>	Flood Control <u>District</u>	Stadium <u>District</u>	Library <u>District</u>	Municipal Property <u>Corporation</u>	<u>Total</u>
Public safety		\$5,111				\$ 5,111
Culture and recreation			\$1,594	\$9,912		11,506
Capital outlay	\$3,110					3,110
Debt service—miscellaneous					<u>\$7</u>	<u>7</u>
Total	<u>\$3,110</u>	<u>\$5,111</u>	<u>\$1,594</u>	<u>\$9,912</u>	<u>\$7</u>	<u>\$19,734</u>

Note 18 - The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as a revenue and an offsetting expenditure in the County's fund-based financial statements. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 19 - The addition of \$7,662 for principal payments on long-term debt in the Enterprise Funds consists of sewer revenue bonds payments of \$4,120 and wastewater loans payments of \$3,542.