



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Pima County

Year Ended June 30, 2004

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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, 2004

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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, 2004. 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, 2004, 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

May 31, 2005

Pima County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2004  
(Amounts in Thousands)

|   |                |
|---|----------------|
| 1. Economic Estimates Commission expenditure limitation                             | \$381,462      |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | <u>381,461</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) 740-8472 Date: May 31, 2005

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2004  
(Amounts in Thousands)

| Description  | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Funds</u> | <u>Internal<br/>Service<br/>Funds</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>      |
|--|-------------------------------|-----------------------------|---------------------------------------|----------------------------|-------------------|
| A. Amounts reported on the Reconciliation, Line D  | \$ 604,346                    | \$ 370,274                  | \$ 32,796                             | \$ 1,878,715               | \$ 2,886,131      |
| B. Less exclusions claimed:  |                               |                             |                                       |                            |                   |
| Bond proceeds (Note 2)   | 6,921                         |                             |                                       |                            | 6,921             |
| Debt service requirements on bonded indebtedness (Note 3)  | 60,828                        | 5,325                       |                                       |                            | 66,153            |
| Proceeds from other long-term obligations (Note 4)   |                               | 24,623                      |                                       |                            | 24,623            |
| Debt service requirements on other long-term obligations (Note 5)  | 3,182                         | 6,779                       |                                       |                            | 9,961             |
| Dividends, interest, and gains on the sale or redemption of<br>investment securities (Note 6)  | 2,101                         | 747                         | 547                                   |                            | 3,395             |
| Trustee or custodian (Note 7)  | 14,952                        |                             |                                       | 1,878,715                  | 1,893,667         |
| Grants and aid from the federal government (Notes 8 and 9)   | 67,955                        | 7,802                       | 166                                   |                            | 75,923            |
| Grants, aid, contributions, or gifts from a private agency, organization,<br>or individual, except amounts received in lieu of taxes (Note 10) | 545                           |                             |                                       |                            | 545               |
| Amounts received from the State of Arizona (Notes 8 and 11)  | 38,616                        | 3,922                       |                                       |                            | 42,538            |
| Quasi-external interfund transactions (Note 12)  | 8,252                         | 3,445                       | 30,020                                |                            | 41,717            |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)  | 29,857                        |                             |                                       |                            | 29,857            |
| Contracts with other political subdivisions (Notes 8 and 13)   | 12,445                        | 206,543                     | 559                                   |                            | 219,547           |
| Prior years carryforward (Note 14)   | <u>54,769</u>                 | <u>33,903</u>               | <u>1,151</u>                          |                            | <u>89,823</u>     |
| Total exclusions claimed   | <u>300,423</u>                | <u>293,089</u>              | <u>32,443</u>                         | <u>1,878,715</u>           | <u>2,504,670</u>  |
| C. Amounts subject to the expenditure limitation   | <u>\$ 303,923</u>             | <u>\$ 77,185</u>            | <u>\$ 353</u>                         | <u>\$ -</u>                | <u>\$ 381,461</u> |

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2004  
(Amounts in Thousands)

| Description   | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Funds</u> | <u>Internal<br/>Service<br/>Funds</u> | <u>Fiduciary<br/>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 | \$ 656,148                    | \$ 351,853                  | \$ 31,691                             | \$ 1,878,715               | \$ 2,918,407        |
| B. Subtractions:  |                               |                             |                                       |                            |                     |
| Items not requiring use of working capital:   |                               |                             |                                       |                            |                     |
| Depreciation  |                               | 18,857                      | 1,935                                 |                            | 20,792              |
| Amortization of deferred charges  |                               | 91                          |                                       |                            | 91                  |
| Loss on disposal of capital assets  |                               | 109                         | 778                                   |                            | 887                 |
| Bad debt expense (Note 15)  |                               | 4,051                       |                                       |                            | 4,051               |
| Claims that were reported but unpaid, or incurred but not reported (Note 16)  |                               |                             | 7,468                                 |                            | 7,468               |
| Landfill closure and postclosure care costs   |                               | 377                         |                                       |                            | 377                 |
| Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 17)   | 19,727                        |                             |                                       |                            | 19,727              |
| Long-term care contributions withheld by the State Treasurer (Note 18)  | <u>32,075</u>                 |                             |                                       |                            | <u>32,075</u>       |
| Total subtractions  | <u>51,802</u>                 | <u>23,485</u>               | <u>10,181</u>                         |                            | <u>85,468</u>       |
| C. Additions:   |                               |                             |                                       |                            |                     |
| Principal payments on long-term debt (Note 19)  |                               | 7,980                       |                                       |                            | 7,980               |
| Acquisition of capital assets   |                               | 33,926                      | 3,560                                 |                            | 37,486              |
| Claims paid in the current year but reported as expenses in previous years (Note 16)  |                               |                             | <u>7,726</u>                          |                            | <u>7,726</u>        |
| Total additions   |                               | <u>41,906</u>               | <u>11,286</u>                         |                            | <u>53,192</u>       |
| D. Amounts reported on Part II, Line A  | <u>\$ 604,346</u>             | <u>\$ 370,274</u>           | <u>\$ 32,796</u>                      | <u>\$ 1,878,715</u>        | <u>\$ 2,886,131</u> |

See accompanying notes to report.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2004  
(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 \$6,921 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$65,000 reported as face amount of long-term debt, \$148 reported as premium on bonds, and \$6,880 reported as proceeds of refunding debt. Remaining amounts of \$65,107 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$60,828 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$46,998, \$13,702, and \$128, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$5,325 in the Enterprise Funds consists of \$3,710 and \$1,615 in Wastewater Management sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds of other long-term obligations of \$24,623 in the Enterprise Funds consists of payments made from proceeds of long-term loans for Wastewater Management.

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,182 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$2,027, \$1,149, and \$6, respectively, for capital leases, transportation loans, and certificates of participation.



Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2004  
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$6,779 in the Enterprise Funds consists of principal and interest payments on long-term loans payable for Wastewater Management of \$4,270 and \$2,509, respectively.

**Note 6 -** The exclusion claimed for dividends, interest, and gains on the sale or redemption of investments securities in the Governmental Funds includes \$2,656 of interest on investments and \$4,760 of interest on delinquent taxes, which was reported as tax revenue. Of the total revenues, \$2,101 was expended in the current year, \$215 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities, and the remaining \$5,100 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$747 in the Enterprise Funds consisted of interest on investments expended.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$547 in the Internal Service Funds consisted of interest on investments expended.

**Note 7 -** The exclusion claimed for trustee or custodian in the Governmental Funds of \$14,952 consists of county contributions to the Arizona Health Care Cost Containment System for acute care. In addition, the County received antiracketeering revenues of \$3,488 benefiting other jurisdictions that were 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                                       | \$ 67,955        |
| Amounts received from the State of Arizona                                       | 38,616           |
| Highway user revenues in excess of those received<br>in fiscal year 1979-80      | 46,600           |
| Contracts with other political subdivisions                                      | 12,445           |
| Other revenues—(nonexcludable)   | <u>107,609</u>   |
| Total intergovernmental revenues as reported in<br>the fund financial statements | <u>\$273,225</u> |

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2004  
(Amounts in Thousands)

Of the \$46,600 of highway user revenues, \$29,857 was excluded and \$15,953 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$790 was carried forward to future years.

**Note 9 -** The exclusion claimed for grants and aid from the federal government of \$7,802 in the Enterprise Funds consists of \$5,162 of Medicare receipts, which were reported as net patient services revenue, and \$2,640 in grants, which were reported as nonoperating revenues.

The exclusion claimed for grants and aid from the federal government of \$166 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 \$545 in the Governmental Funds was reported as miscellaneous revenue.

**Note 11 -** The exclusion claimed for amounts received from the State of Arizona of \$3,922 in the Enterprise Funds consisted of \$1,100 reported as shared state tax revenue, \$36 reported as other revenues, and \$2,786 reported as net patient services revenue.

**Note 12 -** The exclusion claimed for quasi-external interfund transactions of \$8,252 in the Governmental Funds consists of \$7,779 reported as charges for services revenue and \$473 reported as miscellaneous revenue.

The exclusion claimed for quasi-external interfund transactions of \$3,445 in the Enterprise Funds was reported as net patient services revenue.

The exclusion claimed for quasi-external interfund transactions of \$30,020 in the Internal Service Funds was reported as charges for services revenues.

**Note 13 -** The exclusion claimed for contracts with other political subdivisions of \$206,543 in the Enterprise Funds was reported as net patient services revenue.

The exclusion claimed for contracts with other political subdivisions of \$559 in the Internal Service Funds was reported as other revenue.

**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:

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2004  
(Amounts in Thousands)

| <u>Description</u>  | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Funds</u> | <u>Internal<br/>Service Funds</u> |
|---|-------------------------------|-----------------------------|-----------------------------------|
| Bond proceeds   | \$44,108                      |                             |                                   |
| Dividends, interest, and gains on the sale or redemption of investment securities | 7,848                         | \$33,870                    | \$1,151                           |
| Trustee or custodian  | 295                           |                             |                                   |
| Grants and aid from the federal government  |                               | 33                          |                                   |
| Highway user revenues in excess of those received in fiscal year 1979-80          | <u>2,518</u>                  |                             |                                   |
| Total prior years carryforward expended   | <u>\$54,769</u>               | <u>\$33,903</u>             | <u>\$1,151</u>                    |

Note 15 - The subtraction for bad debt expense of \$4,051 in the Enterprise Funds was reported as general and administrative expenses.

Note 16 - The subtraction of \$7,468 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 \$7,726 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 17 - The subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special districts and the Municipal Property Corporation 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<br/>Control<br/>District</u> | <u>Stadium<br/>District</u> | <u>Library<br/>District</u> | <u>Municipal<br/>Property<br/>Corporation</u> | <u>Total</u>    |
|----------------------------|---------------------------------------|-----------------------------|-----------------------------|---|-----------------|
| Public safety              | \$7,283                               |                             |                             |   | \$ 7,283        |
| Culture and recreation     |                                       | \$1,630                     | \$10,787                    |   | 12,417          |
| Debt service—miscellaneous |                                       |                             |                             | \$27  | <u>27</u>       |
| Total                      | <u>\$7,283</u>                        | <u>\$1,630</u>              | <u>\$10,787</u>             | <u>\$27</u>                                   | <u>\$19,727</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 Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 19 - The addition of \$7,980 for principal payments on long-term debt in the Enterprise Funds consists of sewer revenue bond payments of \$3,710 and wastewater loan payments of \$4,270.