



A REPORT  
TO THE  
**ARIZONA LEGISLATURE**

Financial Audit Division

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Expenditure Limitation Report

# **Pima County**

Year Ended June 30, 2005

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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, 2005

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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, 2005. 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, 2005, 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

September 1, 2006

Pima County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2005  
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$392,678
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>392,677</u>
3. Amount under (in excess of) 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) 740-3030 Date: September 1, 2006

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2005  
(Amounts in Thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$654,038	\$333,342	\$32,996	\$2,041,505	\$3,061,881
B. Less exclusions claimed:					
Bond proceeds (Note 2)	14,089				14,089
Debt service requirements on bonded indebtedness (Note 3)	56,067	7,658			63,725
Debt service requirements on other long-term obligations (Note 4)	2,976	3,037			6,013
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	9,034	1,270	604		10,908
Trustee or custodian (Note 6)	14,952			2,041,505	2,056,457
Grants and aid from the federal government (Notes 7 and 8)	63,053	2,927	3		65,983
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 9)	1,468	3			1,471
Amounts received from the State of Arizona (Notes 7 and 10)	39,908	2,986	36		42,930
Quasi-external interfund transactions (Note 11)	9,190	95	29,090		38,375
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	35,733				35,733
Contracts with other political subdivisions (Notes 7 and 12)	12,222	241,423	568		256,043
Prior years carryforward (Note 13)	<u>77,477</u>	<u>1,830</u>	<u>          </u>	<u>          </u>	<u>77,477</u>
Total exclusions claimed	<u>336,169</u>	<u>261,229</u>	<u>30,301</u>	<u>2,041,505</u>	<u>2,669,204</u>
C. Amounts subject to the expenditure limitation	<u>\$317,869</u>	<u>\$ 72,113</u>	<u>\$ 2,695</u>	<u>\$ -</u>	<u>\$ 392,677</u>

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2005  
(Amounts in Thousands)

Description	Governmental <u>Funds</u>	Enterprise <u>Funds</u>	Internal Service <u>Funds</u>	Fiduciary <u>Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements	\$717,212	\$337,168	\$36,205	\$2,041,505	\$3,132,090
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		18,783	1,343		20,126
Amortization of deferred charges		97			97
Loss on disposal of capital assets		577	150		727
Bad debt expense (Note 19)	653	281			934
Claims that were reported but unpaid, or incurred but not reported (Note 14)			12,925		12,925
Expenditures of separate legal entities established under Arizona					
Revised Statutes (A.R.S.) (Note 15)	25,714				25,714
Long-term care contributions withheld by the State Treasurer (Note 16)	36,807				36,807
Involuntary court judgements or involuntary settlements (Note 18)			256		256
Total subtractions	<u>63,174</u>	<u>19,738</u>	<u>14,674</u>		<u>97,586</u>
C. Additions:					
Principal payments on long-term debt (Note 17)		4,705			4,705
Acquisition of capital assets		11,207	3,117		14,324
Claims paid in the current year but reported as expenses in previous years (Note 14)			8,348		8,348
Total additions		<u>15,912</u>	<u>11,465</u>		<u>27,377</u>
D. Amounts reported on Part II, Line A	<u>\$654,038</u>	<u>\$333,342</u>	<u>\$32,996</u>	<u>\$2,041,505</u>	<u>\$3,061,881</u>

See accompanying notes to report.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(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 \$14,089 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$65,000 and from transportation bond proceeds of \$51,200 reported as face amount of long-term debt. Remaining amounts of \$102,111 have been carried forward to future years.

The \$250 reported as premium on bonds in the Other Governmental Funds was carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$56,067 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$41,255, \$14,794, and \$18, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$7,658 in the Enterprise Funds consists of \$4,705 and \$2,953 in Wastewater Management sewer revenue bonds principal and interest expense, respectively.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$2,976 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$1,636, \$1,333, and \$7, respectively, for capital leases.

The exclusion claimed for debt service requirements on other long-term obligations of \$3,037 in the Enterprise Funds consists of interest expense on Wastewater Management long-term loans payable.



Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds includes \$5,181 of interest on investments and \$5,409 of interest on delinquent taxes, which was reported as tax revenue. Of the total revenues, \$9,034 was expended in the current year, \$366 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities, and the remaining \$1,190 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,270 in the Enterprise Funds consists of interest on investments expended. Remaining revenues of \$339 were carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$604 in the Internal Service Funds consists of interest on investments expended.

Note 6 - 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 \$4,379 benefiting other jurisdictions that were carried forward to future years.

Note 7 - 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	\$ 63,053
Amounts received from the State of Arizona	39,908
Highway user revenues in excess of those received in fiscal year 1979-80	49,144
Contracts with other political subdivisions	12,222
Other revenues—(nonexcludable)	<u>114,087</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$278,414</u>

Of the \$49,144 of highway user revenues, \$35,733 was excluded and \$9,265 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$4,146 was carried forward to future years.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

Note 8 - The exclusion claimed for grants and aid from the federal government of \$2,927 in the Enterprise Funds consists of expended intergovernmental revenues, which were reported as nonoperating revenues.

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

Note 9 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$1,468 in the Governmental Funds consists of charges for services revenues expended of \$2 and miscellaneous revenues expended of \$1,466.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$3 in the Enterprise Funds consists of other revenues expended.

Note 10 - The exclusion claimed for amounts received from the State of Arizona of \$2,986 in the Enterprise Funds consists of expenses of shared state tax revenue of \$1,163, other revenues of \$88, and net patient services revenues of \$1,735.

The exclusion claimed for amounts received from the State of Arizona of \$36 in the Internal Service Funds consists of other revenues expended.

Note 11 - The exclusion claimed for quasi-external interfund transactions of \$9,190 in the Governmental Funds consists of expenses of charges for services revenues of \$8,298 and miscellaneous revenues of \$892.

The exclusion claimed for quasi-external interfund transactions of \$95 in the Enterprise Funds consists of net patient services revenues expended.

The exclusion claimed for quasi-external interfund transactions of \$29,090 in the Internal Service Funds consists of charges for services revenues expended.

Note 12 - The exclusion claimed for contracts with other political subdivisions of \$241,423 in the Enterprise Funds consists of expenses of net patient services revenues of \$241,202 and other revenues of \$221.

The exclusion claimed for contracts with other political subdivisions of \$568 in the Internal Services Funds consists of other revenues expended.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

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:

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Bond proceeds	\$72,337	
Dividends, interest, and gains on the sale or redemption of investment securities	3,749	\$1,830
Trustee or custodian	777	
Amounts received from the State of Arizona	614	
Total prior years carry forward expended	<u>\$77,477</u>	<u>\$1,830</u>

Note 14 - The subtraction of \$12,925 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 \$8,348 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 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>Flood Control District</u>	<u>Stadium District</u>	<u>Library District</u>	<u>Special Districts</u>	<u>Total</u>
Public safety	\$ 6,697				\$ 6,697
Culture and recreation		\$1,607	\$10,283		11,890
Transferred out and expended in the Capital Projects Fund	<u>6,372</u>		<u>750</u>	<u>\$5</u>	<u>7,127</u>
Total	<u>\$13,069</u>	<u>\$1,607</u>	<u>\$11,033</u>	<u>\$5</u>	<u>\$25,714</u>

Note 16 - 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 17 - The addition of \$4,705 for principal payments on long-term debt in the Enterprise Funds consists of sewer revenue bond payments.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

Note 18 - The subtraction of \$256 for involuntary court judgments or involuntary settlements in the Internal Service Funds are payments made for the settlement of court claims against Pima County that were incurred losses paid in the current year.

Note 19 - The subtraction of \$653 for bad debt expense in the Governmental Funds is reported as general government expenditures in the General Fund. This amount represents the remaining balance of Kino Hospital's accounts receivable balance that was transferred into the General Fund in June 2004 when Kino Hospital ceased operations under Pima County. The Board of Supervisors deemed that it was no longer cost effective for the County to pursue the collection of these accounts and approved the write-off.

Note 20 - Restatement of the June 30, 2004, Annual Expenditure Limitation Report

Included in this report is a restatement of the Annual Expenditure Limitation Report for the year ended June 30, 2004. The statement was prepared to maximize future carryforward of excludable revenues. Subtractions previously claimed for the Flood Control District, a separate legal entity in the Governmental Funds, were restated. Exclusions previously claimed for dividends, interest, and gains on the sale or redemption of investment securities for the Governmental, Enterprise, and Internal Service Funds, and for amounts received from the State of Arizona and highway user revenues in excess of those received in fiscal year 1979-80 in the Governmental Funds were restated. The previously reported and restated amounts are presented on the following pages.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

Description	Annual Expenditure Limitation Report—Part II Year Ended June 30, 2004, as Previously Reported					Annual Expenditure Limitation Report—Part II Year Ended June 30, 2004, as Restated				
	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amount reported on the Reconciliation, Line D	\$ 604,346	\$ 370,274	\$ 32,796	\$ 1,878,715	\$ 2,886,131	\$ 592,652	\$ 370,274	\$ 32,796	\$ 1,878,715	\$ 2,874,437
B. Less exclusions claimed:										
Bond proceeds	6,921				6,921	6,921				6,921
Debt service requirements on bonded indebtedness	60,828	5,325			66,153	60,828	5,325			66,153
Proceeds from other long-term obligations		24,623			24,623		24,623			24,623
Debt service requirements on other long-term obligations	3,182	6,779			9,961	3,182	6,779			9,961
Dividends, interest, and gains on the sale or redemption of investment securities	2,101	747	547		3,395					
Trustee or custodian	14,952			1,878,715	1,893,667	14,952			1,878,715	1,893,667
Grants and aid from the federal government	67,955	7,802	166		75,923	67,955	7,802	166		75,923
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	545				545	545				545
Amounts received from the State of Arizona	38,616	3,922			42,538	37,983	3,922			41,905
Quasi-external interfund transactions	8,252	3,445	30,020		41,717	8,252	3,445	30,020		41,717
Highway user revenues in excess of those received in fiscal year 1979-80	29,857				29,857	39,565				39,565
Contracts with other political subdivisions	12,445	206,543	559		219,547	12,445	206,543	559		219,547
Prior years carryforward	54,769	33,903	1,151		89,823	48,587	23,862			72,449
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>	<u>301,215</u>	<u>282,301</u>	<u>30,745</u>	<u>1,878,715</u>	<u>2,492,976</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>	<u>\$ 291,437</u>	<u>\$ 87,973</u>	<u>\$ 2,051</u>	<u>\$ -</u>	<u>\$ 381,461</u>
						Economics Estimates Commission expenditure limitation				\$ 381,462
						Amount subject to the expenditure limitation (from line C)				<u>381,461</u>
						Amount under the expenditure limitation				<u>\$ 1</u>

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005  
(Amounts in Thousands)

Description	Annual Expenditure Limitation Report—Reconciliation Year Ended June 30, 2004, as Previously Reported					Annual Expenditure Limitation Report—Reconciliation Year Ended June 30, 2004, as Restated				
	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total	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	\$ 656,148	\$ 351,853	\$ 31,691	\$ 1,878,715	\$ 2,918,407	\$ 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		18,857	1,935		20,792
Amortization of deferred charges		91			91		91			91
Loss on disposal of capital assets		109	778		887		109	778		887
Bad debt expense		4,051			4,051		4,051			4,051
Claims that were reported but unpaid, or incurred but not reported			7,468		7,468			7,468		7,468
Landfill closure and postclosure care costs		377			377		377			377
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.)	19,727				19,727	31,421				31,421
Long-term care contributions withheld by the State Treasurer	<u>32,075</u>				<u>32,075</u>	<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>	<u>63,496</u>	<u>23,485</u>	<u>10,181</u>		<u>97,162</u>
C. Additions:										
Principal payments on long-term debt		7,980			7,980		7,980			7,980
Acquisition of capital assets		33,926	3,560		37,486		33,926	3,560		37,486
Claims paid in the current year but reported as expenses in previous years			7,726		7,726			7,726		7,726
Total additions		<u>41,906</u>	<u>11,286</u>		<u>53,192</u>		<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>	<u>\$ 592,652</u>	<u>\$ 370,274</u>	<u>\$ 32,796</u>	<u>\$ 1,878,715</u>	<u>\$ 2,874,437</u>