



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2006

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
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, 2006. 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, 2006, 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

August 27, 2007

Pima County
 Annual Expenditure Limitation Report—Part I
 Year Ended June 30, 2006
 (Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation		\$411,191
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	411,274	
3. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]	<u> (84)</u>	
4. Total adjusted amount subject to expenditure limitation		<u> 411,190</u>
5. 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) 740-3030 Date: August 27, 2007

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2006
(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	\$ 686,856	\$ 357,722	\$ 33,480	\$ 2,237,409	\$ 3,315,467
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	66,829	7,310			74,139
Proceeds from other long-term obligations (Note 3)	3,391	1,086			4,477
Debt service requirements on other long-term obligations (Note 4)	3,181	7,897			11,078
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	14,067	3,802	503		18,372
Trustee or custodian (Note 6)	18,394			2,237,409	2,255,803
Grants and aid from the federal government (Notes 7 and 8)	53,765	3,921	3		57,689
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 9)	1,291	458			1,749
Amounts received from the State of Arizona (Notes 7 and 10)	40,241	2,583	19		42,843
Quasi-external interfund transactions (Note 11)	10,758	547	31,827		43,132
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	35,041				35,041
Contracts with other political subdivisions (Notes 7 and 12)	14,822	249,699	858		265,379
Prior years carryforward (Note 13)	<u>84,940</u>	<u>9,281</u>	<u>270</u>		<u>94,491</u>
Total exclusions claimed	<u>346,720</u>	<u>286,584</u>	<u>33,480</u>	<u>2,237,409</u>	<u>2,904,193</u>
C. Amounts subject to the expenditure limitation	<u>\$ 340,136</u>	<u>\$ 71,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,274</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2006
(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	\$761,343	\$354,223	\$38,527	\$2,237,409	\$3,391,502
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		21,092	2,316		23,408
Amortization of deferred charges		97			97
Loss on disposal of capital assets		22			22
Bad debt expense (Note 14)		21			21
Claims that were reported but unpaid, or incurred but not reported (Note 15)			12,185		12,185
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 16)	33,129				33,129
Long-term care contributions withheld by the State Treasurer (Note 17)	41,127				41,127
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	231				231
Involuntary court judgements (Note 18)			182		182
Total subtractions	<u>74,487</u>	<u>21,232</u>	<u>14,683</u>		<u>110,402</u>
C. Additions:					
Principal payments on long-term debt (Note 19)		9,501			9,501
Acquisition of capital assets		15,230	2,686		17,916
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)			6,950		6,950
Total additions		<u>24,731</u>	<u>9,636</u>		<u>34,367</u>
D. Amounts reported on Part II, Line A	<u>\$686,856</u>	<u>\$357,722</u>	<u>\$33,480</u>	<u>\$2,237,409</u>	<u>\$3,315,467</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(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 debt service requirements on bonded indebtedness of \$66,829 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$48,672, \$18,147, and \$10, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$7,310 in the Enterprise Funds consists of \$4,550 and \$2,760 in Wastewater Management sewer revenue bonds principal and interest expense, respectively.

Note 3 - The exclusion claimed for proceeds from other long-term obligations of \$3,391 in the Governmental Funds consists of amounts expended from a highway expansion and extension loan. Remaining proceeds of \$1,445 were carried forward to future years.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,181 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$1,875, \$1,301, and \$5, respectively, for capital leases.

The exclusion claimed for debt service requirements on other long-term obligations of \$7,897 in the Enterprise Funds consists of principal payments of \$4,951 and interest expense of \$1,461 on Wastewater Management long-term loans payable, and \$1,485 of capitalized interest reported as purchases of capital assets.

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds includes \$11,382 of interest on investments and \$5,134 of interest on delinquent taxes, which was reported as tax revenue. Of the total revenues, \$14,067 was expended in the current year, \$805 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities, and the remaining \$1,644 was carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts in Thousands)

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$3,802 in the Enterprise Funds consists of interest on investments expended. Remaining revenues of \$47 were carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$503 in the Internal Service Funds consists of interest on investments expended. Remaining revenues of \$1,028 were carried forward to future years.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$18,394 consists of \$14,952 in county contributions to the Arizona Health Care Cost Containment System for acute care, expenditures of antiracketeering revenues of \$2,093 benefiting other jurisdictions, and expenditures of Sheriff commissary revenues of \$1,349.

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	\$ 55,591
Amounts received from the State of Arizona	40,610
Highway user revenues in excess of those received in fiscal year 1979-80	52,203
Contracts with other political subdivisions	15,041
Other revenues—(nonexcludable)	<u>127,614</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$291,059</u>

Of the \$55,591 of grants and aid from the federal government, \$1,826 was carried forward to future years. Of the \$40,610 of amounts received from the State of Arizona, \$369 was carried forward to future years. Of the \$52,203 of highway user revenues, \$35,041 was excluded and \$13,053 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$4,109 was carried forward to future years. Of the \$15,041 of revenues from contracts with other political subdivisions, \$219 was carried forward to future years.

Note 8 - The exclusion claimed for grants and aid from the federal government of \$3,921 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.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts in Thousands)

Note 9 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$1,291 in the Governmental Funds consists of expended charges for services revenues of \$482 and miscellaneous revenues of \$809.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$458 in the Enterprise Funds consists of expended other revenues.

Note 10 - The exclusion claimed for amounts received from the State of Arizona of \$2,583 in the Enterprise Funds consists of expended net patient services revenues.

The exclusion claimed for amounts received from the State of Arizona of \$19 in the Internal Service Funds consists of expended other revenues.

Note 11 - The exclusion claimed for quasi-external interfund transactions of \$10,758 in the Governmental Funds consists of expended charges for services revenues of \$9,824 and miscellaneous revenues of \$934.

The exclusion claimed for quasi-external interfund transactions of \$547 in the Enterprise Funds consists of expended net patient services revenues of \$98 and charges for services revenues of \$449.

The exclusion claimed for quasi-external interfund transactions of \$31,827 in the Internal Service Funds consists of expended charges for services revenues.

Note 12 - The exclusion claimed for contracts with other political subdivisions of \$249,699 in the Enterprise Funds consists of expended net patient services revenues of \$249,353 and other revenues of \$346.

The exclusion claimed for contracts with other political subdivisions of \$858 in the Internal Service Funds consists of expended other revenues.

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:

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts in Thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Bond proceeds	\$78,080		
Dividends, interest, and gains on the sale or redemption of investment securities	4,089	\$9,281	\$270
Trustee or custodian	859		
Highway user revenues in excess of those received in fiscal year 1979-80	<u>1,912</u>		
Total prior years carry forward expended	<u>\$84,940</u>	<u>\$9,281</u>	<u>\$270</u>

Note 14 - The subtraction for bad debt expense in the Enterprise Funds of \$21 is reported in the Wastewater Management Fund's general and administrative expenses.

Note 15 - The subtraction of \$12,185 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 \$6,950 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 16 - 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>Total</u>
Public safety	\$ 9,215			\$ 9,215
Culture and recreation		\$1,858	\$13,510	15,368
Capital outlay	<u>8,449</u>		<u>97</u>	<u>8,546</u>
Total	<u>\$17,664</u>	<u>\$1,858</u>	<u>\$13,607</u>	<u>\$33,129</u>

Note 17 - The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer 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 18 - The subtraction of \$182 for involuntary court judgments in the Internal Service Funds are payments made for the settlement of court claims against Pima County that were incurred and paid in the current year. These settlements are included in general and administrative expenses.

Note 19 - The addition of \$9,501 for principal payments on long-term debt in the Enterprise Funds consists of \$4,550 in sewer revenue bond payments and \$4,951 in loan payments.