

# Pima County

Expenditure Limitation Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





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## Audit Staff

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**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 of Pima County for the year ended June 30, 2016. The County's management is responsible for this report. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA  
Financial Audit Director

April 21, 2017



**Pima County**  
**Annual expenditure limitation report—part I**  
**Year ended June 30, 2016**  
**(Amounts in thousands)**

1. Economic Estimates Commission expenditure limitation	\$541,485
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>541,484</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: Keith Dommer, Finance Director

Telephone number: (520) 724-8496 Date: April 21, 2017

See accompanying notes to report.

**Pima County**  
**Annual expenditure limitation report—part II**  
**Year ended June 30, 2016**  
**(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	\$ 781,705	\$ 198,079	\$ 105,174	\$ 2,203,157	\$ 3,288,115
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	71,259	20,760			92,019
Proceeds from other long-term obligations (Note 3)	16,792	12,941			29,733
Debt service requirements on other long-term obligations (Note 4)	41,913	40,402			82,315
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	16	15			31
Trustee or custodian (Note 6)	19,773			2,203,157	2,222,930
Grants and aid from the federal government (Note 7)	52,400				52,400
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	3,035	41			3,076
Amounts received from the State of Arizona (Note 7)	41,781	34			41,815
Quasi-external interfund transactions (Note 9)	3,358		103,819		107,177
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	33,348				33,348
Contracts with other political subdivisions (Notes 7 and 10)	33,097	1,067	52		34,216
Prior years carryforward (Note 11)	<u>14,925</u>	<u>31,343</u>	<u>1,303</u>		<u>47,571</u>
Total exclusions claimed	<u>331,697</u>	<u>106,603</u>	<u>105,174</u>	<u>2,203,157</u>	<u>2,746,631</u>
C. Amounts subject to the expenditure limitation	<u>\$ 450,008</u>	<u>\$ 91,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541,484</u>

See accompanying notes to report.

**Pima County**  
**Annual expenditure limitation report—reconciliation**  
**Year ended June 30, 2016**  
**(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	\$ 888,657	\$ 164,607	\$ 120,713	\$ 2,203,157	\$ 3,377,134
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		52,073	4,756		56,829
Loss on disposal of capital assets		1,547	13		1,560
Bad debt expense (Note 12)		514			514
Claims that were reported but unpaid, or incurred but not reported (Note 13)			67,838		67,838
Pension expense (Note 14)		2,356	459		2,815
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	64,104				64,104
Long-term care contributions withheld by the State Treasurer (Note 16)	39,304				39,304
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	149				149
Required fees/reimbursements made to Arizona state agencies (Note 17)	<u>3,395</u>				<u>3,395</u>
Total subtractions	<u>106,952</u>	<u>56,490</u>	<u>73,066</u>		<u>236,508</u>
C. Additions:					
Principal payments on long-term debt		40,272			40,272
Acquisition of capital assets		46,807	3,474		50,281
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 13)			53,491		53,491
Pension contributions paid in the current year (Note 14)		2,883	562		3,445
Total additions		<u>89,962</u>	<u>57,527</u>		<u>147,489</u>
D. Amounts reported on part II, line A	<u>\$ 781,705</u>	<u>\$ 198,079</u>	<u>\$ 105,174</u>	<u>\$ 2,203,157</u>	<u>\$ 3,288,115</u>

See accompanying notes to report.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2016**  
**(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 §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 service requirements on bonded indebtedness of \$71,259 in the governmental funds consists of principal, interest, and miscellaneous charges of \$52,525, \$18,729, and \$5, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$20,760 in the enterprise funds consists of \$15,950 and \$4,810 in regional wastewater reclamation department (RWRD) sewer revenue bonds' principal and interest payments, respectively.

**Note 3**

The exclusion claimed for proceeds from other long-term obligations of \$16,792 in the governmental funds and \$12,941 in the enterprise funds consists of expenditures made from certificates of participation proceeds of \$43,935 and premium of \$2,552 recorded in the governmental funds. Of the proceeds amount, \$12,941 was transferred to the enterprise funds and expended. Remaining revenues of \$16,754 have been carried forward to future years.

**Note 4**

The exclusion claimed for debt service requirements on other long-term obligations of \$41,913 in the governmental funds consists of principal, interest, and miscellaneous charges of \$34,432, \$7,475, and \$6, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$40,402 in the enterprise funds consists of \$24,322 and \$16,080 of principal and interest payments, respectively, on RWRD sewer revenue obligations and long-term loans payable.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2016**  
**(Amounts in thousands)**

**Note 5**

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$16 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$1,812 in the governmental funds, \$16 was excluded and \$97 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$1,699 have been carried forward to future years. All \$4,171 of interest on delinquent taxes that was reported as tax revenue was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$15 in the enterprise funds consists of expended investment earnings. The remaining \$1,276 was carried forward to future years.

**Note 6**

The exclusion claimed for trustee or custodian in the governmental funds of \$19,773 consists of \$17,537 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,040 in sheriff commissary revenues; and \$196 in antiracketeering revenues.

**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:

<b>Description</b>	
Grants and aid from the federal government	\$ 52,400
Amounts received from the State of Arizona	41,964
Highway user revenues in excess of those received in fiscal year 1979-80	51,272
Contracts with other political subdivisions	33,106
Other revenues—(nonexcludable)	<u>136,176</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$314,918</u>

The total amount of \$52,400 for grants and aid from the federal government was excluded. Of the \$41,964 of amounts received from the State of Arizona, \$41,781 was excluded and \$183 was carried forward to future years. Of the \$51,272 of highway user revenues, \$33,348 was excluded and \$17,924 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the \$33,106 of contracts with other political subdivisions, \$33,097 was claimed as an exclusion and the remaining \$9 was carried forward to future years.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2016**  
**(Amounts in thousands)**

The exclusion of \$34 in the enterprise funds was claimed for amounts received from the State of Arizona, which were reported as intergovernmental revenues.

**Note 8**

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$3,035 in the governmental funds consists of expended miscellaneous revenues.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$41 in the enterprise funds consists of expended other revenues. Remaining revenues of \$502 have been carried forward to future years.

**Note 9**

The exclusion claimed for quasi-external interfund transactions of \$3,358 in the governmental funds consists of expenditures of charges for services revenues. Remaining revenues of \$24,171 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$103,819 in the internal service funds consists of the expended portion of charges for services revenues of \$121,687, of which \$114,194 is excludable as quasi-external interfund transactions. The remaining \$10,375 of revenues has been carried forward to future years.

**Note 10**

The exclusion claimed for contracts with other political subdivisions of \$1,067 in the enterprise funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$52 in the internal service funds consists of expended charges for services revenues.

**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	Governmental funds	Enterprise funds	Internal service funds	Total
Bond proceeds	\$13,879			\$13,879
Other long-term obligations proceeds	1,046	\$31,343	\$ 142	32,531
Quasi-external interfund transactions			1,161	1,161
Total prior years carryforward expended	<u>\$14,925</u>	<u>\$31,343</u>	<u>\$1,303</u>	<u>\$47,571</u>

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2016**  
**(Amounts in thousands)**

**Note 12**

The subtraction of \$514 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

**Note 13**

The subtraction of \$67,838 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 \$53,491 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 14**

The subtraction of \$2,815 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise/internal service funds. The addition of \$3,445 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise/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>Lighting districts</u>	<u>Total</u>
Public safety	\$14,598				\$14,598
General government				\$158	158
Culture and recreation		\$4,836	\$35,883		40,719
Capital projects fund:					
Capital outlay	<u>8,188</u>		<u>441</u>		<u>8,629</u>
Total	<u>\$22,786</u>	<u>\$4,836</u>	<u>\$36,324</u>	<u>\$158</u>	<u>\$64,104</u>

The capital outlay expenditures reported in the capital projects fund were made from monies transferred from the special assessment districts in current and prior fiscal years.

**Note 16**

The subtraction of \$39,304 for long-term care contributions withheld by the State Treasurer 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.

**Pima County**  
**Notes to annual expenditure limitation report**  
**Year ended June 30, 2016**  
**(Amounts in thousands)**

**Note 17**

The subtraction of \$3,395 for required fees/reimbursements paid to Arizona state agencies consists of \$1,840 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing; \$1,035 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$520 paid to the Arizona Department of Health Services pursuant to Laws 2015, Chapter 14, Sections 8 and 9, to reimburse part of the cost of committing an individual the court determined to be sexually violent, which were recorded as welfare expenditures.

