

Pima County

Annual Expenditure
Limitation Report

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Donna Miller, CPA
Director, Financial Audit Division

May 15, 2019



Pima County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2018
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$559,403
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>559,402</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: (Signature removed for website presentation.)

Name and title: Michelle Campagne, Finance Director

Telephone number: (520) 724-8410 Date: May 15, 2019

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2018
(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	\$ 790,465	\$ 206,947	\$ 123,684	\$ 2,024,688	\$ 3,145,784
B. Less exclusions claimed:					
Debt proceeds (Note 2)	10,600	35,372			45,972
Debt service requirements (Note 3)	117,830	77,738			195,568
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	22	121	41		184
Trustee or custodian (Note 5)	23,321			2,024,688	2,048,009
Grants and aid from the federal government (Note 6)	40,642				40,642
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	4,609	45			4,654
Amounts received from the State of Arizona (Note 6)	41,529				41,529
Quasi-external interfund transactions (Note 8)	6,815	353	101,761		108,929
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	41,430				41,430
Contracts with other political subdivisions (Note 6 and 9)	17,286	254	141		17,681
Refunds, reimbursements, and other recoveries (Note 10)	701		1,615		2,316
Prior years carryforward (Note 11)	<u>34,133</u>	<u>5,335</u>	<u> </u>	<u> </u>	<u>39,468</u>
Total exclusions claimed	<u>338,918</u>	<u>119,218</u>	<u>103,558</u>	<u>2,024,688</u>	<u>2,586,382</u>
C. Amounts subject to the expenditure limitation	<u>\$ 451,547</u>	<u>\$ 87,729</u>	<u>\$ 20,126</u>	<u>\$ -</u>	<u>\$ 559,402</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2018
(Amounts in thousands)

Description	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	\$ 907,424	\$ 156,749	\$ 121,256	\$ 2,024,688	\$ 3,210,117
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		54,190	5,989		60,179
Loss on disposal of capital assets		805			805
Bad debt expense (Note 12)		741			741
Pension and other postemployment benefits (OPEB) expense (Note 13)		(106)	1,552		1,446
Claims that were reported but unpaid or incurred but not reported (Note 14)			60,031		60,031
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	72,737				72,737
Long-term care contributions the State Treasurer withheld (Note 16)	40,974				40,974
Required fees/reimbursements made to Arizona state agencies (Note 17)	3,248				3,248
Total subtractions	<u>116,959</u>	<u>55,630</u>	<u>67,572</u>		<u>240,161</u>
C. Additions:					
Principal payments on long-term debt		61,285			61,285
Capital asset acquisitions		41,559	8,964		50,523
Pension and OPEB contributions paid in the current year (Note 13)		2,984	891		3,875
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)			60,145		60,145
Total additions		<u>105,828</u>	<u>70,000</u>		<u>175,828</u>
D. Amounts reported on part II, line A	<u>\$ 790,465</u>	<u>\$ 206,947</u>	<u>\$ 123,684</u>	<u>\$ 2,024,688</u>	<u>\$ 3,145,784</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018
(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 (A.R.S.) §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 proceeds of \$10,600 in the governmental funds consists of expenditures made from transportation bond proceeds of \$11,000 and premium of \$1,684, and certificates of participation proceeds of \$62,660 and premium of \$937. Remaining amounts of \$65,681 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$35,372 in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of \$38,205 and premium of \$7,210. Remaining amounts of \$10,043 have been carried forward to future years.

Note 3

The exclusion claimed for debt service requirements of \$117,830 in the governmental funds consists of principal, interest, and miscellaneous charges of \$97,574, \$20,244 and \$12, respectively.

The exclusion claimed for debt service requirements of \$77,738 in the enterprise funds consists of principal, interest, and loss on debt defeasance of \$61,285, \$16,177, and \$276, respectively, on Regional Wastewater Reclamation Department sewer revenue bonds, obligations, and long-term loan payable.

Note 4

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$22 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$4,022 in the governmental funds, \$22 was excluded and \$247 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$3,753 have been carried forward to future years. All \$4,647 of interest on delinquent taxes that was reported as tax revenue was carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018
(Amounts in thousands)

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$121 in the enterprise funds consists of expended investment earnings. The remaining \$2,107 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$41 in the internal service funds consists of expended investment earnings. The remaining \$1,476 was carried forward to future years.

Note 5

The exclusion claimed for trustee or custodian in the governmental funds of \$23,321 consists of \$17,609 in County contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,331 in sheriff commissary revenues; and \$3,381 in antiracketeering revenues.

Note 6

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	\$ 40,642
Amounts received from the State of Arizona	43,496
Highway user revenues in excess of those received in fiscal year 1979-80	56,818
Contracts with other political subdivisions	17,368
Other revenues—(nonexcludable)	<u>144,344</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$302,668</u>

The total amount of \$40,642 for grants and aid from the federal government was excluded. Of the \$43,496 of amounts received from the State of Arizona, \$41,529 was excluded and \$1,967 was carried forward to future years. Of the \$56,818 of highway user revenues, \$41,430 was excluded, \$13,856 was transferred, spent, and excluded as debt service requirements, and \$1,532 was carried forward to future years. Of the \$17,368 of contracts with other political subdivisions, \$17,286 was claimed as an exclusion and the remaining \$82 was carried forward to future years.

Note 7

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$4,609 in the governmental funds consists of expended miscellaneous revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018
(Amounts in thousands)

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization or individual, except amounts received in lieu of taxes of \$45 in the enterprise funds consists of expended other revenues. Remaining revenues of \$581 have been carried forward to future years.

Note 8

The exclusion claimed for quasi-external interfund transactions of \$6,815 in the governmental funds consists of expenditures of charges for services revenues. Remaining revenues of \$16,865 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$353 in the enterprise funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$101,761 in the internal service funds consists of the expended portion of charges for services revenues of \$129,654, of which \$121,631 is excludable as quasi-external interfund transactions. The remaining revenues of \$19,870 have been carried forward to future years.

Note 9

The exclusion claimed for contracts with other political subdivisions of \$254 in the enterprise funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$141 in the internal service funds consists of expended charges for services revenues.

Note 10

The exclusion claimed for refunds, reimbursements, and other recoveries of \$701 in the governmental funds consists of expended miscellaneous revenues resulting from stale-dated warrant recoveries, credit card rebates, and interest earned on excess pension contributions.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$1,615 in the internal service funds consists of expended other revenues resulting from stale-dated warrant recoveries and pharmacy rebates.

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:

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018
(Amounts in thousands)

Description	Governmental funds	Enterprise funds	Total
Debt proceeds	\$23,926	\$5,335	\$29,261
Quasi-external interfund transactions	10,157		10,157
Contracts with other political divisions	<u>50</u>		<u>50</u>
Total prior years carryforward expended	<u>\$34,133</u>	<u>\$5,335</u>	<u>\$39,468</u>

Note 12

The subtraction of \$741 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

Note 13

The subtraction of \$1,446 for pension and other postemployment benefit (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise and internal service funds. The addition of \$3,875 for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds.

Note 14

The subtraction of \$60,031 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 \$60,145 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 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:

	Regional flood control district	Stadium district	Library district	Lighting districts	Total
Public safety	\$15,237				\$15,237
General government				\$194	194
Culture and recreation		\$5,009	\$37,708		42,717
Capital projects fund:					
Capital outlay	<u>12,045</u>		<u>2,544</u>		<u>14,589</u>
Total	<u>\$27,282</u>	<u>\$5,009</u>	<u>\$40,252</u>	<u>\$194</u>	<u>\$72,737</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2018
(Amounts in thousands)

Note 16

The subtraction of \$40,974 for long-term care contributions the State Treasurer withheld 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.

Note 17

The subtraction of \$3,248 for required fees/reimbursements paid to Arizona state agencies consists of \$1,727 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing; \$1,015 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$506 paid to the Arizona Department of Health Services pursuant to Laws 2017, Chapter 309, Sections 11 and 12, to reimburse part of the cost of committing an individual the court determined to be sexually violent, which were recorded as welfare expenditures.

