



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Annual Expenditure Limitation Report

## Pima County

Year Ended June 30, 2003

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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, 2003

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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, 2003. 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, 2003, 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 16, 2004

Pima County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2003  
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$344,709
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>344,708</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: Carol Bonchalk, Finance Director

Telephone Number: (520) 740-8472 Date: August 16, 2004

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2003  
(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	\$ 562,717	\$ 351,841	\$ 35,918	\$ 1,875,271	\$ 2,825,747
B. Less exclusions claimed:					
Bond proceeds (Note 2)	31,790				31,790
Debt service requirements on bonded indebtedness (Note 3)	57,563	7,608			65,171
Proceeds from other long-term obligations (Note 4)		9,746			9,746
Debt service requirements on other long-term obligations (Note 5)	3,693	6,021			9,714
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	10,167	1,727	729		12,623
Trustee or custodian (Note 7)	15,830			1,875,271	1,891,101
Grants and aid from the federal government (Notes 8 and 9)	78,096	10,945	26		89,067
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	297				297
Amounts received from the State of Arizona (Notes 8 and 11)	34,132	1,527			35,659
Quasi-external interfund transactions (Note 12)	8,167	11,082	28,382		47,631
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	27,883				27,883
Contracts with other political subdivisions (Notes 8 and 13)	12,518	169,700	441		182,659
Prior years carryforward (Note 14)	<u>71,060</u>	<u>6,638</u>	<u>          </u>	<u>          </u>	<u>77,698</u>
Total exclusions claimed	<u>351,196</u>	<u>224,994</u>	<u>29,578</u>	<u>1,875,271</u>	<u>2,481,039</u>
C. Amounts subject to the expenditure limitation	<u>\$ 211,521</u>	<u>\$ 126,847</u>	<u>\$ 6,340</u>	<u>\$ -</u>	<u>\$ 344,708</u>

See accompanying notes to report.

Pima County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2003  
(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	\$ 619,660	\$ 309,299	\$ 30,994	\$ 1,875,271	\$ 2,835,224
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		18,497	1,942		20,439
Amortization of deferred charges		89			89
Loss on disposal of capital assets		338	910		1,248
Bad debt expense (Note 15)		6,203			6,203
Claims that were reported but unpaid, or incurred but not reported (Note 20)			7,036		7,036
Landfill closure and postclosure care costs		1,078			1,078
Expenditures of separate legal entities established under Arizona					
Revised Statutes (A.R.S.) (Note 16)	19,313				19,313
Long-term care contributions withheld by the State Treasurer (Note 17)	37,453				37,453
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	177				177
Total subtractions	<u>56,943</u>	<u>26,205</u>	<u>9,888</u>		<u>93,036</u>
C. Additions:					
Principal payments on long-term debt (Note 18)		8,887			8,887
Acquisition of capital assets		59,860	5,618		65,478
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 19)			9,194		9,194
Total additions		<u>68,747</u>	<u>14,812</u>		<u>83,559</u>
D. Amounts reported on Part II, Line A	<u>\$ 562,717</u>	<u>\$ 351,841</u>	<u>\$ 35,918</u>	<u>\$ 1,875,271</u>	<u>\$ 2,825,747</u>

See accompanying notes to report.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2003  
(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 \$31,790 in the Governmental Funds consists of expenditures made from general obligation and transportation revenue bonds proceeds of \$85,000 reported as face amount of long-term debt, and \$410 reported as premium on bonds. Remaining amounts of \$53,620 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$57,563 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$43,648, \$13,904, and \$11, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$7,608 in the Enterprise Funds consists of \$5,200 and \$2,408 in Wastewater Management sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$9,746 in the Enterprise Funds consists of expenditures made from proceeds of a long-term loan for Wastewater Management.

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,693 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$1,896, \$1,791, and \$6, respectively, for capital leases and certificates of participation.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2003  
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$6,021 in the Enterprise Funds consists of principal and interest payments on long-term loans payable for Wastewater Management of \$3,687 and \$2,334, respectively.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds includes \$4,152 of interest on investments expended and \$6,329 of interest on delinquent taxes expended, which was reported as tax revenue. Of the total revenues, \$314 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,727 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 \$729 in the Internal Service Funds consisted of interest on investments expended.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$15,830 in county contributions to the Arizona Health Care Cost Containment System for acute care. In addition, the County received antiracketeering revenues of \$3,479 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	\$ 78,096
Amounts received from the State of Arizona	34,132
Highway user revenues in excess of those received in fiscal year 1979-80	43,338
Contracts with other political subdivisions	12,518
Other revenues—(nonexcludable)	<u>77,294</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$245,378</u>

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2003  
(Amounts in Thousands)

Of the \$43,338 of highway user revenues, \$27,883 was excluded and \$13,655 was transferred, spent, and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$1,800 was carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$10,945 in the Enterprise Funds consists of \$8,379 of Medicare receipts, which were reported as net patient services revenue, and \$2,566 in grants, which were reported as nonoperating revenues.

The exclusion claimed for grants and aid from the federal government of \$26 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 \$297 in the Governmental Funds consists of \$1, which was reported as charges for services revenue, and \$296, which was reported as miscellaneous revenue.

Note 11 - The exclusion claimed for amounts received from the State of Arizona of \$1,527 in the Enterprise Funds consists of \$281 in disproportionate share settlement, \$959 in grants recorded as nonoperating revenues, and \$287 reported as net patient services revenue.

Note 12 - The exclusion claimed for quasi-external interfund transactions of \$8,167 in the Governmental Funds consists of \$7,696 reported as charges for services revenue and \$471 reported as miscellaneous revenue.

The exclusion claimed for quasi-external interfund transactions of \$11,082 in the Enterprise Funds was reported as net patient services revenue.

The exclusion claimed for quasi-external interfund transactions of \$28,382 in the Internal Service Funds was reported as charges for services revenue.

Note 13 - The exclusion claimed for contracts with other political subdivisions of \$169,700 in the Enterprise Funds was reported as net patient services revenue.

The exclusion claimed for contracts with other political subdivisions of \$441 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, 2003  
(Amounts in Thousands)

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Bond proceeds	\$21,907	
Dividends, interest, and gains on the sale or redemption of investment securities	19,418	\$4,767
Trustee or custodian	374	
Grants and aid from the federal government	5,051	
Amounts received from the State of Arizona	20,366	
Quasi-external interfund transactions	610	
Contracts with other political subdivisions	<u>3,334</u>	<u>1,871</u>
Total prior years carryforward expended	<u>\$71,060</u>	<u>\$6,638</u>

Note 15 - The subtraction for bad debt expense of \$6,203 in the Enterprise Funds was reported as general and administrative expenses.

Note 16 - The subtraction for separate legal entities established under A.R.S. 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>Special Assessment Districts</u>	<u>Flood Control District</u>	<u>Stadium District</u>	<u>Library District</u>	<u>Municipal Property Corporation</u>	<u>Total</u>
Public safety		\$5,831				\$ 5,831
Culture and recreation			\$1,682	\$10,304		11,986
Capital outlay	\$782					782
Debt service— miscellaneous					\$7	7
Loss from State Treasurer's Local Government Investment Pool		<u>450</u>		<u>257</u>		<u>707</u>
Total	<u>\$782</u>	<u>\$6,281</u>	<u>\$1,682</u>	<u>\$10,561</u>	<u>\$7</u>	<u>\$19,313</u>

Note 17 - 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.

Pima County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2003  
(Amounts in Thousands)

- Note 18 - The addition of \$8,887 for principal payments on long-term debt in the Enterprise Funds consists of sewer revenue bond payments of \$5,200 and wastewater loan payments of \$3,687.
- Note 19 - The addition of \$9,194 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 20 - The subtraction of \$7,036 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.