

Pima County

Annual Expenditure
Limitation Report

Year Ended June 30, 2019



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, 2019, 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 18, 2020

Pima County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2019
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$576,640
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>576,639</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 18, 2020

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2019
(Amounts in thousands)

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 878,786	\$ 209,846	\$ 130,138	\$ 1,995,325	\$ 3,214,095
B. Less exclusions claimed:					
Debt proceeds (Note 2)	21,124	19,005			40,129
Debt service requirements (Note 3)	148,653	73,902			222,555
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	36	210	179		425
Trustee or custodian (Note 5)	22,108			1,995,325	2,017,433
Grants and aid from the federal government (Note 6)	42,679				42,679
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	3,663	26			3,689
Amounts received from the State of Arizona (Note 6)	46,599				46,599
Quasi-external interfund transactions (Note 8)	21,907	373	95,842		118,122
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	39,487				39,487
Contracts with other political subdivisions (Notes 6 and 9)	20,345	278	182		20,805
Refunds, reimbursements, and other recoveries (Note 10)	239	5	3,824		4,068
Prior years carryforward (Note 11)	<u>71,435</u>	<u>10,030</u>	<u> </u>	<u> </u>	<u>81,465</u>
Total exclusions claimed	<u>438,275</u>	<u>103,829</u>	<u>100,027</u>	<u>1,995,325</u>	<u>2,637,456</u>
C. Amounts subject to the expenditure limitation	<u>\$ 440,511</u>	<u>\$ 106,017</u>	<u>\$ 30,111</u>	<u>\$ -</u>	<u>\$ 576,639</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2019
(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	\$ 997,645	\$ 158,726	\$ 128,252	\$ 1,995,325	\$ 3,279,948
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		56,375	6,775		63,150
Loss on disposal of capital assets		727	39		766
Bad debt expense (Note 12)		711	7		718
Pension and other postemployment benefits (OPEB) expense (Note 13)		(942)	2,320		1,378
Claims that were reported but unpaid or incurred but not reported (Note 14)			62,748		62,748
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	74,433				74,433
Long-term care contributions the State Treasurer withheld (Note 16)	41,749				41,749
Required fees/reimbursements made to Arizona State agencies (Note 17)	2,507				2,507
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	<u>170</u>				<u>170</u>
Total subtractions	<u>118,859</u>	<u>56,871</u>	<u>71,889</u>		<u>247,619</u>
C. Additions:					
Principal payments on long-term debt		57,002			57,002
Capital asset acquisitions		47,899	9,081		56,980
Pension and OPEB contributions paid in the current year (Note 13)		3,090	998		4,088
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)			<u>63,696</u>		<u>63,696</u>
Total additions		<u>107,991</u>	<u>73,775</u>		<u>181,766</u>
D. Amounts reported on part II, line A	<u>\$ 878,786</u>	<u>\$ 209,846</u>	<u>\$ 130,138</u>	<u>\$ 1,995,325</u>	<u>\$ 3,214,095</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019
(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 \$21,124 in the governmental funds consists of expenditures made from transportation bond proceeds of \$25,000 and premium of \$2,832, and certificates of participation proceeds of \$20,940 and premium of \$3,877. Remaining amounts of \$31,525 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$19,005 in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of \$21,245 and premium of \$4,053. Remaining amounts of \$6,293 have been carried forward to future years.

Note 3

The exclusion claimed for debt service requirements of \$148,653 in the governmental funds consists of principal, interest, and miscellaneous charges of \$129,912, \$18,730, and \$11, respectively.

The exclusion claimed for debt service requirements of \$73,902 in the enterprise funds consists of principal, interest, debt issuance cost, and loss on debt defeasance of \$57,002, \$16,599, \$36, and \$265, 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 \$36 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$7,564 in the governmental funds, \$36 was excluded and \$554 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$6,974 have been carried forward to future years. All \$5,160 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, 2019
(Amounts in thousands)

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$210 in the enterprise funds consists of expended investment earnings. The remaining \$4,014 was carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$179 in the internal service funds consists of expended investment earnings. The remaining \$4,547 was carried forward to future years.

Note 5

The exclusion claimed for trustee or custodian in the governmental funds of \$22,108 consists of \$16,536 in County contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$1,855 in sheriff commissary revenues; and \$3,717 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	\$ 42,679
Amounts received from the State of Arizona	46,764
Highway user revenues in excess of those received in fiscal year 1979-80	60,831
Contracts with other political subdivisions	20,393
Other revenues—(nonexcludable)	<u>156,011</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$326,678</u>

The total amount of \$42,679 for grants and aid from the federal government was excluded. Of the \$46,764 of amounts received from the State of Arizona, \$46,599 was excluded and \$165 was carried forward to future years. Of the \$60,831 of highway user revenues, \$39,487 was excluded, \$12,918 was transferred, spent, and excluded as debt service requirements, and \$8,426 was carried forward to future years. Of the \$20,393 of contracts with other political subdivisions, \$20,345 was claimed as an exclusion and the remaining \$48 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 \$3,663 in the governmental funds consists of expended miscellaneous revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019
(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 \$26 in the enterprise funds consists of expended other revenues. Remaining revenues of \$858 have been carried forward to future years.

Note 8

The exclusion claimed for quasi-external interfund transactions of \$21,907 in the governmental funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$373 in the enterprise funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$95,842 in the internal service funds consists of the expended portion of charges for services revenues of \$121,210, of which \$112,369 is excludable as quasi-external interfund transactions. The remaining revenues of \$16,527 have been carried forward to future years.

Note 9

The exclusion claimed for contracts with other political subdivisions of \$278 in the enterprise funds consists of expended charges for services revenues.

The exclusion claimed for contracts with other political subdivisions of \$182 in the internal service funds consists of expended charges for services revenues.

Note 10

The exclusion claimed for refunds, reimbursements, and other recoveries of \$239 in the governmental funds consists of expended miscellaneous revenues resulting from stale-dated warrant recoveries, credit card rebates, and refunds from court ordered services.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$5 in the enterprise funds consists of expended other revenues resulting from stale-dated warrant recoveries.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$3,824 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, 2019
(Amounts in thousands)

Description	<u>Governmental funds</u>	<u>Enterprise funds</u>	<u>Total</u>
Debt proceeds	\$59,276	\$10,030	\$69,306
Quasi-external interfund transactions	11,956		11,956
Contracts with other political divisions	<u>203</u>		<u>203</u>
Total prior years carryforward expended	<u>\$71,435</u>	<u>\$10,030</u>	<u>\$81,465</u>

Note 12

The subtraction of \$711 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

The subtraction of \$7 for bad debt expense in the internal service funds is reported under the general and administrative expenses.

Note 13

The subtraction of \$1,378 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 \$4,088 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 \$62,748 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 \$63,696 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:

	<u>Regional flood control district</u>	<u>Stadium district</u>	<u>Library district</u>	<u>Lighting districts</u>	<u>Total</u>
Public safety	\$15,070				\$15,070
General government				\$195	195
Culture and recreation		\$4,899	\$39,008		43,907
Capital projects fund:					
Capital outlay	<u>12,486</u>		<u>2,775</u>		<u>15,261</u>
Total	<u>\$27,556</u>	<u>\$4,899</u>	<u>\$41,783</u>	<u>\$195</u>	<u>\$74,433</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019
(Amounts in thousands)

Note 16

The subtraction of \$41,749 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 \$2,507 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; and \$780 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs, which were recorded as general government expenditures.

