

# Pima County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2021

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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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 (report) of Pima County for the year ended June 30, 2021, 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.

Sincerely,

*Stephanie Gerber*

Stephanie Gerber, CPA  
Director, Financial Audit Division

June 2, 2022

**Pima County**  
**Annual Expenditure Limitation Report—Part I**  
**Year ended June 30, 2021**  
**(Amounts in thousands)**

1. Economic Estimates Commission expenditure limitation	\$612,082
2. Amount subject to the expenditure limitation (total amount from Part II, line C)	<u>599,956</u>
3. Amount under the expenditure limitation	<u>\$ 12,126</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: Michelle Campagne, Finance Director

Telephone number: (520) 724-8410 Date: June 2, 2022

See accompanying notes to report.

**Pima County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2021**  
**(Amounts in thousands)**

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 1,031,617	\$ 220,670	\$ 134,764	\$ 3,436,498	\$ 4,823,549
B. Less exclusions claimed:					
Debt proceeds (Note 2)	104,140	33,900			138,040
Debt service requirements (Note 3)	119,229	90,404			209,633
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	373				373
Trustee or custodian (Note 5)	23,520			3,436,498	3,460,018
Grants and aid from the federal government (Note 6)	141,694				141,694
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	6,797	44			6,841
Amounts received from the State of Arizona (Note 6)	33,761				33,761
Quasi-external interfund transactions (Note 8)	21,229	318	115,694		137,241
Amounts accumulated for the purchase of land, buildings, or improvements (Note 6)	1,587				1,587
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	39,110				39,110
Contracts with other political subdivisions (Notes 6 and 9)	23,507		209		23,716
Refunds, reimbursements, and other recoveries (Note 10)	131	8	4,622		4,761
Prior years carryforward (Note 11)	12,137	12,574	2,107		26,818
Total exclusions claimed	<u>527,215</u>	<u>137,248</u>	<u>122,632</u>	<u>3,436,498</u>	<u>4,223,593</u>
C. Amounts subject to the expenditure limitation	<u>\$ 504,402</u>	<u>\$ 83,422</u>	<u>\$ 12,132</u>	<u>\$ -</u>	<u>\$ 599,956</u>

See accompanying notes to report.

**Pima County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2021**  
**(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	\$ 1,160,129	\$ 162,116	\$ 132,046	\$ 3,436,498	\$ 4,890,789
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		59,943	9,273		69,216
Loss on disposal of capital assets		871			871
Bad debt expense (Note 12)		604			604
Pension and other postemployment benefits (OPEB) expense (Note 13)		1,784	872		2,656
Claims incurred but not reported (IBNR) (Note 14)			67,813		67,813
Total expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	80,479				80,479
Long-term care contributions the State Treasurer withheld (Note 16)	47,416				47,416
Fees/reimbursements State law required the County to pay (Note 17)	617				617
Total subtractions	<u>128,512</u>	<u>63,202</u>	<u>77,958</u>		<u>269,672</u>
C. Additions:					
Principal payments on long-term debt		76,340			76,340
Capital asset acquisitions		42,408	11,115		53,523
Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (Note 14)			68,520		68,520
Pension and OPEB contributions paid in the current year (Note 13)		3,008	1,041		4,049
Total additions		<u>121,756</u>	<u>80,676</u>		<u>202,432</u>
D. Amounts reported on part II, line A	<u>\$ 1,031,617</u>	<u>\$ 220,670</u>	<u>\$ 134,764</u>	<u>\$ 3,436,498</u>	<u>\$ 4,823,549</u>

See accompanying notes to report.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**  
**(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 \$104,140 in the governmental funds consists of expenditures made from transportation bond proceeds of \$21,000 and premium of \$1,137, and certificates of participation proceeds of \$66,110 and premium of \$4,466, and pledged revenue obligation proceeds of \$300,000. Remaining amounts of \$288,573 have been carried forward to future years.

The exclusion claimed for debt proceeds of \$33,900 in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of \$45,715 and premium of \$14,686. Remaining amounts of \$26,501 have been carried forward to future years.

**Note 3**

The exclusion claimed for debt service requirements of \$119,229 in the governmental funds consists of principal, interest, and miscellaneous charges of \$102,692, \$16,523 and \$14, respectively.

The exclusion claimed for debt service requirements of \$90,404 in the enterprise funds consists of principal, interest, debt issuance cost, and loss on debt defeasance of \$76,340, \$12,881, \$36, and \$1,147, respectively, on Regional Wastewater Reclamation Department sewer revenue bonds, obligations, and long-term notes payable.

**Note 4**

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$373 in the governmental funds consists of expended investment earnings. Of the total investment earnings revenues of \$3,074 in the governmental funds, \$373 was excluded and \$255 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$2,446 have been carried forward to future years. All \$5,483 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, 2021**  
**(Amounts in thousands)**

All \$1,110 of dividends, interest, and gains on the sale or redemption of investment securities in the enterprise funds was carried forward to future years.

All \$771 of dividends, interest, and gains on the sale or redemption of investment securities in the internal service funds was carried forward to future years.

**Note 5**

The exclusion claimed for trustee or custodian in the governmental funds of \$23,520 consists of \$16,654 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,965 in sheriff commissary revenues; and \$3,901 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, and amounts accumulated for the purchase of land, buildings, and improvements in the governmental funds. The amounts excluded do not exceed expenditures of such revenues.

<b>Description</b>	
Grants and aid from the federal government	\$141,697
Amounts received from the State of Arizona	33,844
Highway user revenues in excess of those received in fiscal year 1979-80	65,913
Contracts with other political subdivisions	23,507
Amounts accumulated for the purchase of land, buildings, and improvements	1,587
Other revenues—(nonexcludable)	<u>169,080</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$435,628</u>

Of the \$141,697 for grants and aid from the federal government, \$141,694 was excluded and \$3 was carried forward to future years. Of the \$33,844 of amounts received from the State of Arizona, \$33,761 was excluded and \$83 was carried forward to future years. Of the \$65,913 of highway user revenues, \$39,110 was excluded, and \$10,340 was transferred, spent, and excluded as debt service requirements on bonded indebtedness and \$16,463 was carried forward to future years. Total amounts of \$23,507 for contracts with other political subdivisions and \$1,587 for amounts accumulated for the purchase of land, buildings, and improvements were excluded.

**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 \$6,797 in the governmental funds consists of expended miscellaneous revenues. Remaining revenues of \$8 have been carried forward to future years.

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**  
**(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 \$44 in the enterprise funds consists of expended other revenues. Remaining revenues of \$296 have been carried forward to future years.

**Note 8**

The exclusion claimed for quasi-external interfund transactions of \$21,229 in the governmental funds consists of expenditures of charges for services revenues. The remaining revenues of \$3,191 have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$318 in the enterprise funds consists of expenditures of charges for services revenues.

The exclusion claimed for quasi-external interfund transactions of \$115,694 in the internal service funds consists of the expended portion of charges for services revenues of \$126,159, of which \$117,026 is excludable as quasi-external interfund transactions. The remaining revenues of \$1,332 have been carried forward to future years.

**Note 9**

The exclusion claimed for contracts with other political subdivisions of \$209 in the internal service funds consists of expended charges for services revenues.

**Note 10**

The exclusion claimed for refunds, reimbursements, and other recoveries of \$131 in the governmental funds consists of expended miscellaneous revenues resulting from stale dated warrant recoveries, credit card rebates, refunds from court ordered services, and other reimbursements.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$8 in the enterprise funds consists of expended other revenues resulting from stale dated warrant recoveries and other reimbursements.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$4,622 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:

<b>Description</b>	<b><u>Governmental funds</u></b>	<b><u>Enterprise funds</u></b>	<b><u>Internal service funds</u></b>	<b><u>Total</u></b>
Bond proceeds	<u>\$12,137</u>	<u>\$12,574</u>	<u>\$2,107</u>	<u>\$26,818</u>
Total prior years carryforward expended	<u>\$12,137</u>	<u>\$12,574</u>	<u>\$2,107</u>	<u>\$26,818</u>

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**  
**(Amounts in thousands)**

**Note 12**

The subtraction of \$604 for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

**Note 13**

The \$2,656 subtraction for pension and other post-employment benefit (OPEB) expense consists of changes in the net pension and OPEB assets and liabilities and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise funds and internal service funds. The \$4,049 addition 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 funds and internal service funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

<u>Statement of cash flows</u>	<b>Enterprise Funds</b>	<b>Internal service funds</b>
Change in net pension and OPEB asset	\$ (96)	\$ (34)
Change in deferred inflows related to pensions and OPEB	(2,479)	(831)
Change in deferred outflows related to pensions and OPEB	(3,414)	(1,213)
Change in net pension and OPEB liability	<u>4,765</u>	<u>1,909</u>
Total	<u><u>\$(1,224)</u></u>	<u><u>\$ (169)</u></u>
<u><b>AELR Reconciliation</b></u>		
Pension/OPEB contributions – addition	\$ 3,008	\$ 1,041
Pension/OPEB expense(income) – subtraction	<u>(1,784)</u>	<u>(872)</u>
Total	<u><u>\$ 1,224</u></u>	<u><u>\$ 169</u></u>

**Note 14**

The subtraction of \$67,813 for claims 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 \$68,520 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, 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:

**Pima County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**  
**(Amounts in thousands)**

	<u>Regional flood control district</u>	<u>Stadium district</u>	<u>Library district</u>	<u>Improvements and other districts</u>	<u>Rocking K South CFD</u>	<u>Total</u>
Public safety	\$14,056					\$14,056
General government				\$213		213
Culture and recreation		\$3,395	\$36,444			39,839
Interest and other charges					\$109	109
Capital projects fund:						
Capital outlay	<u>14,000</u>	<u>2,876</u>	<u>9,386</u>	<u>      </u>	<u>      </u>	<u>26,262</u>
Total	<u>\$28,056</u>	<u>\$6,271</u>	<u>\$45,830</u>	<u>\$213</u>	<u>\$109</u>	<u>\$80,479</u>

**Note 16**

The subtraction of \$47,416 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 \$617 for required fees/reimbursements State law required the County to pay that are excluded from the county expenditure limitation consist of payment to the Arizona Department of Revenue pursuant to A.R.S. §42-5041 for administrative, program, and operating costs, which were recorded as general government expenditures.

