



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2009

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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, 2009. 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, 2009, 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, the Board of Supervisors, and management, 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.

Jay Zsorey, CPA
Financial Audit Director

May 26, 2010

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Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2009
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$489,887
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>489,886</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: Thomas Burke, Finance Director

Telephone Number: (520) 740-3030 Date: May 26, 2010

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2009
(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	\$ 827,325	\$ 402,117	\$ 34,371	\$ 2,567,538	\$ 3,831,351
B. Less exclusions claimed:					
Bond proceeds (Note 2)	35,225	11,421			46,646
Debt service requirements on bonded indebtedness (Note 3)	77,876	11,588			89,464
Proceeds from other long-term obligations (Note 4)	92	12,108			12,200
Debt service requirements on other long-term obligations (Note 5)	49,288	8,303			57,591
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	4,293	2,039	489		6,821
Trustee or custodian (Note 7)	25,413			2,567,538	2,592,951
Grants and aid from the federal government (Notes 8 and 9)	43,596	2,076			45,672
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)	1,236	36			1,272
Amounts received from the State of Arizona (Notes 8 and 11)	45,689	2,194			47,883
Quasi-external interfund transactions (Note 12)	18,497	538	32,777		51,812
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)	29,015				29,015
Contracts with other political subdivisions (Notes 8 and 13)	35,137	211,907	252		247,296
Prior years carryforward (Note 14)	71,405	40,584	853		112,842
Total exclusions claimed	<u>436,762</u>	<u>302,794</u>	<u>34,371</u>	<u>2,567,538</u>	<u>3,341,465</u>
C. Amounts subject to the expenditure limitation	<u>\$ 390,563</u>	<u>\$ 99,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,886</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2009
(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	\$926,378	\$342,208	\$41,056	\$2,567,538	\$3,877,180
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		27,689	2,840		30,529
Amortization of deferred charges		227			227
Loss on disposal of capital assets		341	329		670
Bad debt expense (Note 19)		355			355
Claims that were reported but unpaid, or incurred but not reported (Note 15)			12,600		12,600
Expenditures of separate legal entities established under Arizona					
Revised Statutes (Note 16)	57,782				57,782
Long-term care contributions withheld by the State Treasurer (Note 17)	41,271				41,271
Involuntary court judgments (Note 18)			1,154		1,154
Total subtractions	<u>99,053</u>	<u>28,612</u>	<u>16,923</u>		<u>144,588</u>
C. Additions:					
Principal payments on long-term debt (Note 20)		13,845			13,845
Acquisition of capital assets		74,676	3,427		78,103
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)			6,811		6,811
Total additions		<u>88,521</u>	<u>10,238</u>		<u>98,759</u>
D. Amounts reported on Part II, Line A	<u>\$827,325</u>	<u>\$402,117</u>	<u>\$34,371</u>	<u>\$2,567,538</u>	<u>\$3,831,351</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009
(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 \$35,225 in the Governmental Funds consists of expenditures made from general obligation bond proceeds of \$75,000 reported as face amount of long-term debt. Remaining amounts of \$39,775 have been carried forward to future years.

The exclusion claimed for bond proceeds of \$11,421 in the Enterprise Funds consists of expenditures made from sewer revenue bond proceeds of \$18,940. Remaining amounts of \$7,519 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$77,876 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$56,750, \$21,119, and \$7, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$11,588 in the Enterprise Funds consists of \$7,870 and \$3,718 in Regional Wastewater Reclamation Department (RWRD) sewer revenue bonds principal and interest expense, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$92 in the Governmental Funds and \$12,108 in the Enterprise Funds consists of expenditures made from certificates of participation proceeds of \$34,400, a portion of which was transferred to the Enterprise Funds. Remaining amounts of \$22,200 have been carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009
(Amounts in Thousands)

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$49,288 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$43,634, \$5,637, and \$17, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$8,303 in the Enterprise Funds consists of principal and interest of \$5,975 and \$2,328, respectively, on Regional Wastewater Reclamation Department long-term loans payable.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$4,293 in the Governmental Funds includes interest on investments expended of \$1,136 and interest on delinquent taxes expended of \$3,157. Of the total investment earnings revenues of \$5,335 in the Governmental Funds, \$645 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. Remaining investment earnings revenues of \$3,554 have been carried forward to future years. Of the total for interest on delinquent taxes of \$5,462, which was reported as tax revenue, \$2,305 was carried forward to future years.

Note 7 - The exclusion claimed for trustee or custodian in the Governmental Funds was \$25,413. Of this amount, \$21,060 consisted of county contributions to the Arizona Health Care Cost Containment System, for which \$14,952 represents acute care, \$1,116 for uncompensated care, \$1,198 for administrative costs, and \$3,794 for additional administrative costs. In addition, expenditures of antiracketeering revenues benefitting other jurisdictions totaling \$4,489, of which \$2,462 was excluded and \$2,027 was carried forward to future years, and expenditures of sheriff commissary revenues of \$1,891 benefitting inmates.

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	\$ 43,604
Amounts received from the State of Arizona	46,338
Highway user revenues in excess of those received in fiscal year 1979-80	49,172
Contracts with other political subdivisions	35,145
Other revenues—(nonexcludable)	<u>117,977</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$292,236</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009
(Amounts in Thousands)

Of the \$43,604 of grants and aid from the federal government, \$8 was carried forward to future years. Of the \$46,338 of amounts received from the State of Arizona, \$649 was carried forward to future years. Of the \$49,172 of highway user revenues, \$29,015 was excluded, \$14,840 was transferred, spent, and excluded as debt service requirements on bonded indebtedness, and \$5,317 was carried forward to future years. Of the \$35,145 of contracts with other political subdivisions, \$8 was carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$2,076 in the Enterprise Funds consists of expended intergovernmental revenues, which were reported as nonoperating revenues.

Note 10 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$1,236 in the Governmental Funds consists of expended charges for service revenues of \$951 and miscellaneous revenues of \$285. Remaining unspent revenues generated from grants, aid, contributions, or gifts from a private agency, organization, or individual of \$104 was carried forward to future years.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$36 in the Enterprise Funds consists of expended other revenues.

Note 11 - The exclusion claimed for amounts received from the State of Arizona of \$2,194 in the Enterprise Funds consists of \$2,182 of expended net patient services revenues and \$12 of expended intergovernmental revenues.

Note 12 - The exclusion claimed for quasi-external interfund transactions of \$18,497 in the Governmental Funds consists of expended charges for services revenues of \$15,322 and miscellaneous revenues of \$3,175.

The exclusion claimed for quasi-external interfund transactions of \$538 in the Enterprise Funds consists of expended net patient services revenues of \$101 and charges for services revenues of \$437.

The exclusion claimed for quasi-external interfund transactions of \$32,777 in the Internal Service Funds consists of expended charges for services revenues of \$44,440, of which \$43,283 is excludable. The remaining \$10,506 of revenues has been carried forward to future years.

Note 13 - The exclusion claimed for contracts with other political subdivisions of \$211,907 in the Enterprise Funds consists of expended net patient services revenues of \$211,702 and other revenues of \$205.

The exclusion claimed for contracts with other political subdivisions of \$252 in the Internal Service Funds consists of expended other revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009
(Amounts in Thousands)

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:

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Bond proceeds	\$55,791	\$27,122	
Other long-term obligation proceeds	8,194	13,462	\$853
Trustee or custodian	1,637		
Contributions	774		
Amounts received from the State of Arizona	1,279		
Highway user revenues in excess of those received in fiscal year 1979-80	<u>3,730</u>		
Total prior years carry forward expended	<u>\$71,405</u>	<u>\$40,584</u>	<u>\$853</u>

Note 15 - The subtraction of \$12,600 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 \$6,811 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 16 - 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>Special Districts</u>	<u>Total</u>
Public safety	\$10,858				\$10,858
Culture and recreation		\$3,402	\$31,995		35,397
Debt service				\$93	93
Capital Projects Fund:					
Capital outlay	<u>11,412</u>		<u>22</u>		<u>11,434</u>
Total	<u>\$22,270</u>	<u>\$3,402</u>	<u>\$32,017</u>	<u>\$93</u>	<u>\$57,782</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 17 - The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer 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, 2009
(Amounts in Thousands)

Note 18 - The subtraction of \$1,154 in the Internal Service Funds for involuntary court judgments consists of payments made for the settlement of court claims against Pima County that were incurred and paid in the current year. These settlements are reported as general and administrative expenses.

Note 19 - The subtraction for bad debt expense in the Enterprise Funds for \$355 is included in the Regional Wastewater Reclamation Department Fund's general and administrative expenses.

Note 20 - The addition of \$13,845 for principal payments on long-term debt in the Enterprise Funds consists of \$7,870 in sewer revenue bond payments and \$5,975 in loan payments.

Note 21 - Recently, Laws 2008, Chapter 288, Sections 16(F), 18, and 26, allowed exclusions to be claimed for certain prior-year expenditures that had previously not been excludable.

Specifically, expenditures for administrative cost contributions and uncompensated care contributions to the Arizona Health Care Cost Containment System became excludable as trustee or custodian exclusions for the years ended June 30, 2004 through 2008. Because of this law change, the County could have claimed exclusions for these expenditures and did not need to claim certain exclusions for expenditures of prior years' carryforward or investment income. As a result, the County restated its exclusions and carryforward amounts for investment income, trustee or custodian, and prior years' carryforward. None of these restatements affected the amount subjected to the applicable expenditure limit or the amount under the applicable expenditure limitation. Details of the restated amounts follow:

	Governmental Funds				
	2004 (As previously restated in 2005)	2005	2006	2007	2008
Exclusions claimed, as previously reported:					
Dividends, interest, gains on the sale or redemption of investment securities		\$ 9,034	\$ 14,067	\$ 15,374	\$ 12,098
Trustee or custodian	\$ 14,952	14,952	18,394	20,258	20,367
Prior years' carryforward	48,587	77,477	84,940	40,196	25,694
Other exclusions	<u>237,676</u>	<u>234,706</u>	<u>229,319</u>	<u>367,665</u>	<u>343,843</u>
Total exclusions claimed, as previously reported	<u>\$301,215</u>	<u>\$336,169</u>	<u>\$346,720</u>	<u>\$443,493</u>	<u>\$402,002</u>
Exclusions claimed, as restated:					
Dividends, interest, gains on the sale or redemption of investment securities		9,034	14,067	15,374	9,851
Trustee or custodian	16,982	17,023	20,520	22,442	22,614
Prior years' carryforward	48,587	75,406	82,814	38,012	25,694
Other exclusions	<u>237,676</u>	<u>234,706</u>	<u>229,319</u>	<u>367,665</u>	<u>343,843</u>
Total exclusions claimed, as restated	<u>\$303,245</u>	<u>\$336,169</u>	<u>\$346,720</u>	<u>\$443,493</u>	<u>\$402,002</u>

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009
(Amounts in Thousands)

	<u>Enterprise Funds</u>
	<u>2004</u>
	(as previously restated in 2005)
Exclusions claimed, as previously reported:	
Prior years' carryforward	\$ 23,862
Other exclusions	<u>258,439</u>
Total exclusions claimed, as previously reported	<u>282,301</u>
Exclusions claimed, as restated:	
Prior years' carryforward	21,832
Other exclusions	<u>258,439</u>
Total exclusions claimed, as restated	<u>280,271</u>