

**PIMA COUNTY, ARIZONA
Report on Audit of Annual
Expenditure Limitation Report
Year Ended June 30, 2001**

PIMA COUNTY
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2001

Table of Contents	Page
Independent Auditors' Report	1
Annual Expenditure Limitation Report—Part I	2
Annual Expenditure Limitation Report—Part II	3
Annual Expenditure Limitation Report—Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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, 2001. 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, 2001, 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

May 24, 2002

PIMA COUNTY
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2001
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$324,794
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>324,793</u>
3. Amount under the expenditure limitation	<u><u>\$ 1</u></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, Director of Financial and Information Services

Telephone Number: (520) 740-8401 Date: _____

See accompanying notes to report.

PIMA COUNTY
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2001
(Amounts in Thousands)

Description	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$240,013	\$140,479	\$50,219	\$87,327	\$268,411	\$786,449
B. Less exclusions claimed:						
Bond proceeds (Note 2)				37,034		37,034
Debt service requirements on bonded indebtedness (Note 3)			50,219		10,590	60,809
Proceeds from other long-term obligations (Note 4)					18,292	18,292
Debt service requirements on other long-term obligations (Note 5)	4,664	122			1,259	6,045
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	8,322	3,849		5,114	6,557	23,842
Trustee or custodian (Note 7)	14,952	1,927				16,879
Grants and aid from the federal government (Notes 8 and 9)	4,141	45,460		6,098	6,342	62,041
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 10)		532			317	849
Amounts received from the State of Arizona (Notes 8 and 11)	705	28,178		8,769	7,526	45,178
Quasi-external interfund transactions (Note 12)	4,002				9,058	13,060
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 8)		21,653				21,653
Contracts with other political subdivisions (Notes 8 and 13)	5,444	3,261		1,814	122,621	133,140
Prior years carryforward (Note 14)				17,825	5,009	22,834
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total exclusions claimed	<u>42,230</u>	<u>104,982</u>	<u>50,219</u>	<u>76,654</u>	<u>187,571</u>	<u>461,656</u>
C. Amounts subject to the expenditure limitation	<u>\$197,783</u>	<u>\$ 35,497</u>	<u>\$ -</u>	<u>\$10,673</u>	<u>\$ 80,840</u>	<u>\$324,793</u>

See accompanying notes to report.

PIMA COUNTY
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2001
(Amounts in Thousands)

Description	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
A. Total expenditures or expenses and applicable other financing uses reported within the general purpose financial statements	\$270,028	\$147,367	\$50,219	\$87,673	\$237,902	\$793,189
B. Deductions:						
Items not requiring use of working capital:						
Depreciation					14,675	14,675
Amortization of deferred charges					78	78
Loss on disposal of capital assets					43	43
Bad debt expense (Note 15)					7,853	7,853
Landfill closure and postclosure care costs					170	170
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 16)		6,954		346		7,300
Long-term care contributions withheld by the State Treasurer (Note 17)	29,791					29,791
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements (Note 18)	<u>345</u>					<u>345</u>
Total deductions	<u>30,136</u>	<u>6,954</u>		<u>346</u>	<u>22,819</u>	<u>60,255</u>
C. Additions:						
Principal payments on long-term debt (Note 19)					5,006	5,006
Acquisition of capital assets (Note 20)					48,218	48,218
Internal Service Fund expenses not charged to other funds (Note 21)	<u>121</u>	<u>66</u>			<u>104</u>	<u>291</u>
Total additions	<u>121</u>	<u>66</u>			<u>53,328</u>	<u>53,515</u>
D. Amounts reported on Part II, Line A	<u>\$240,013</u>	<u>\$140,479</u>	<u>\$50,219</u>	<u>\$87,327</u>	<u>\$268,411</u>	<u>\$786,449</u>

See accompanying notes to report.

PIMA COUNTY
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2001
(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 (A.R.S.) §41-1279.07, which excludes expenditures or expenses of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures or expenses reported in the annual general purpose 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 deduction or addition in the Reconciliation that cannot be traced directly to an amount reported in the annual general purpose financial statements. All references to financial statement amounts in the following notes refer to the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types for the General, Special Revenue, Debt Service, and Capital Projects Funds; and to the Combined Statement of Revenues, Expenses, and Changes in Fund Equity—All Proprietary Fund Types and Discretely Presented Component Units for the Enterprise and Internal Service Funds.

Note 2 - The exclusion claimed for bond proceeds of \$37,034 in the Capital Projects Fund consists of expenditures made from \$50,013 in proceeds of long-term debt. Remaining bond proceeds of \$12,979 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$50,219 in the Debt Service Fund consists of principal, interest, and fiscal charges of \$36,873, \$13,173, and \$173, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$10,590 in the Enterprise Funds consists of \$4,515 and \$6,075 in Wastewater Management sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations of \$18,292 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 \$4,664 in the General Fund consists of principal, interest, and fiscal charges on capital leases and certificates of participation of \$2,834, \$1,826, and \$4, respectively.

PIMA COUNTY
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2001
(Amounts in Thousands)

The exclusion claimed for debt service requirements on other long-term obligations of \$122 in the Special Revenue Funds consists of principal, interest, and fiscal charges on capital leases of \$116, \$4, and \$2, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$1,259 in the Enterprise Funds consists of principal and interest payments on a long-term loan payable for Wastewater Management of \$491 and \$768, respectively.

Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$8,322 in the General Fund consists of interest on investments expended of \$4,361 and interest on delinquent taxes expended of \$3,961, which was recorded as tax revenue.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$3,849 in the Special Revenue Funds consists of interest on investments expended. Remaining revenues of \$198 were not excluded since they were 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 \$5,114 in the Capital Projects Fund consists of interest on investments expended. Remaining revenues of \$346 were not excluded since they were deducted on the Reconciliation as expenditures of separate legal entities.

Note 7 - The exclusion claimed for trustee or custodian of \$14,952 in the General Fund consists of the County's contributions to the Arizona Health Care Cost Containment System for acute care.

The exclusion claimed for trustee or custodian of \$1,927 in the Special Revenue Funds consists of antiracketeering expenditures, benefiting other jurisdictions, that were reported as general government expenditures.

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 General, Special Revenue, and Capital Projects Funds. The amounts excluded do not exceed expenditures of such revenues.

PIMA COUNTY
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2001
(Amounts in Thousands)

Description	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>
Grants and aid from the federal government	\$ 4,141	\$ 45,460	\$ 6,098
Amounts received from the State of Arizona	705	28,178	8,769
Highway user revenues in excess of those received in fiscal year 1979-80		43,583	
Contracts with other political subdivisions	5,444	3,261	1,814
Other revenues—(nonexcludable)	<u>100,118</u>	<u>6,275</u>	<u>6</u>
Total intergovernmental revenues as reported in the general purpose financial statements	<u>\$110,408</u>	<u>\$126,757</u>	<u>\$16,687</u>

Of the \$43,583 of highway user revenues, \$21,653 was excluded in the Special Revenue Funds and \$5,450 was transferred to the Debt Service Fund where it was spent and excluded as debt service requirements on bonded indebtedness during the current year. The remaining \$16,480 has been carried forward to future years.

Note 9 - The exclusion claimed for grants and aid from the federal government of \$6,342 in the Enterprise Funds consists of \$5,893 of Medicare receipts reported as net patient services revenue and \$449 in grants reported as nonoperating revenues.

Note 10 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$532 in the Special Revenue Funds consists of \$156 reported as charges for services revenue and \$376 reported as miscellaneous revenue.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual of \$317 in the Enterprise Funds was reported as nonoperating revenues.

Note 11 - The exclusion claimed for amounts received from the State of Arizona of \$7,526 in the Enterprise Funds consists of \$6,102 in disproportionate share settlement reported as other operating revenues, \$926 in grants reported as nonoperating revenues, and \$498 reported as net patient services revenue.

Note 12 - The exclusion claimed for quasi-external interfund transactions of \$4,002 in the General Fund was reported as charges for services revenue.

PIMA COUNTY
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2001
(Amounts in Thousands)

The exclusion claimed for quasi-external interfund transactions of \$9,058 in the Enterprise Funds consists of Pima Health Care System's net patient services revenue received from the General Fund and other County departments.

Note 13 - The exclusion claimed for contracts with other political subdivisions of \$122,621 in the Enterprise Funds was reported as net patient services revenues.

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	Capital Projects Fund	Enterprise Funds
Bond proceeds	\$17,825	
Contracts with other political subdivisions		\$5,009
Total prior years carryforward expended	<u>\$17,825</u>	<u>\$5,009</u>

Note 15 - The deduction for bad debt expense of \$7,853 in the Enterprise Funds was reported as general and administrative expenses.

Note 16 - The deductions for separate legal entities established under A.R.S. consist of expenditures of special assessment districts, the flood control district, the stadium district, and the municipal property corporation that were included within the County's reporting entity but not included in the Economic Estimates Commission base limit calculations. These expenditures are reported in the following categories in the general purpose financial statements:

	Special Revenue Funds	Capital Projects Fund
Public safety	\$5,299	
Culture and recreation	1,648	
Capital projects		\$346
Debt service—miscellaneous	7	
Total	<u>\$6,954</u>	<u>\$346</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 general purpose financial statements. Consequently, this expenditure has been deducted on the Reconciliation.

PIMA COUNTY
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2001
(Amounts in Thousands)

- Note 18** - The deductions of \$345 in the General Fund consists of the present value of net minimum capital lease payments at the inception of the agreements, reported as proceeds of long-term debt and general government expenditures.
- Note 19** - The addition of \$5,006 for principal payments on long-term debt in the Enterprise Funds consists of payments made by Wastewater Management.
- Note 20** - The addition of \$48,218 for acquisition of capital assets in the Enterprise Funds consists of Pima Health Care System, Development Services, Parking Garages, and Wastewater Management acquisitions in the amounts of \$1,619, \$238, \$18, and \$46,343, respectively.
- Note 21** - The addition of \$291 for Internal Service Fund expenses not charged to other funds consists of the Internal Service Funds' total charges for services and interest income of \$26,105, less its total operating expenses of \$26,396. The addition was allocated to the General Fund, Special Revenue Funds, and Enterprise Funds based on their total expenditures and operating expenses for the year ended June 30, 2001.