



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pima County

Year Ended June 30, 2010



Debra K. Davenport
Auditor General

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Pima County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2010

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2010. 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 Navajo County for the year ended June 30, 2010, 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, management, and others within the County, 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

September 19, 2011

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Pima County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2010
(Amounts in Thousands)

1. Economic Estimates Commission expenditure limitation	\$506,395
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>480,913</u>
3. Amount under the expenditure limitation	<u>\$ 25,482</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: September 15, 2011

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2010
(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	\$ 806,228	\$ 373,161	\$ 31,533	\$ 2,550,184	\$ 3,761,106
B. Less exclusions claimed:					
Bond proceeds (Note 2)	41,230				41,230
Debt service requirements on bonded indebtedness (Note 3)	86,362	23,427			109,789
Proceeds from other long-term obligations (Note 4)	5,082	34,264			39,346
Debt service requirements on other long-term obligations (Note 5)	27,760	8,377			36,137
Dividends, interest, and gains on the sale or redemption of investment securities			837		837
Trustee or custodian (Note 6)	20,551			2,550,184	2,570,735
Grants and aid from the federal government (Notes 7 and 8)	60,520	4,298	11		64,829
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 9)	690	39			729
Amounts received from the State of Arizona (Notes 7 and 10)	47,323	2,114	24		49,461
Quasi-external interfund transactions (Note 11)	310	102	29,555		29,967
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	26,681				26,681
Contracts with other political subdivisions (Notes 7 and 12)	33,625	196,031	1,106		230,762
Prior years carryforward (Note 13)	<u>50,151</u>	<u>29,539</u>	<u> </u>	<u> </u>	<u>79,690</u>
Total exclusions claimed	<u>400,285</u>	<u>298,191</u>	<u>31,533</u>	<u>2,550,184</u>	<u>3,280,193</u>
C. Amounts subject to the expenditure limitation	<u>\$ 405,943</u>	<u>\$ 74,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,913</u>

See accompanying notes to report.

Pima County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2010
(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	\$ 892,685	\$ 325,692	\$ 37,154	\$ 2,550,184	\$ 3,805,715
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		31,543	2,659		34,202
Amortization of deferred charges		263			263
Loss on disposal of capital assets		2,259	161		2,420
Bad debt expense (Note 19)		612			612
Claims that were reported but unpaid, or incurred but not reported (Note 14)			9,893		9,893
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	55,048				55,048
Long-term care contributions withheld by the State Treasurer (Note 16)	30,800				30,800
Payments made to reimburse the Arizona Department of Health Services (Note 17)	609				609
Involuntary court judgments (Note 18)			<u>2,767</u>		<u>2,767</u>
Total subtractions	<u>86,457</u>	<u>34,677</u>	<u>15,480</u>		<u>136,614</u>
C. Additions:					
Principal payments on long-term debt		23,087			23,087
Acquisition of capital assets		59,059	1,350		60,409
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)			<u>8,509</u>		<u>8,509</u>
Total additions		<u>82,146</u>	<u>9,859</u>		<u>92,005</u>
D. Amounts reported on Part II, Line A	<u>\$ 806,228</u>	<u>\$ 373,161</u>	<u>\$ 31,533</u>	<u>\$ 2,550,184</u>	<u>\$ 3,761,106</u>

See accompanying notes to report.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(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 in the Governmental Funds consists of expenditures of \$41,230 made from general obligation bond proceeds of \$90,000 and from transportation bond proceeds of \$15,000 reported as face amount of long-term debt. Unexpended bond proceeds of \$63,770 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$86,362 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$63,565, \$22,459, and \$338, respectively.

The exclusion claimed for debt service requirements on bonded indebtedness of \$23,427 in the Enterprise Funds consists of \$16,771 and \$6,656 in Regional Wastewater Reclamation Department sewer revenue bonds principal and interest payments, respectively.

Note 4 - The exclusion claimed for proceeds from other long-term obligations in the Governmental Funds consists of expenditures of \$5,082 made from certificates of participation proceeds of \$20,000. Unexpended proceeds of \$14,918 have been carried forward to future years.

The exclusion claimed for proceeds from other long-term obligations in the Enterprise Funds consist of capital asset purchases of \$34,264 made from sewer revenue obligation proceeds and premiums of \$165,000 and \$13,211 and from a long-term loan with Water Infrastructure Finance Authority of Arizona of \$8,002. Unexpended proceeds of \$151,949 have been carried forward to future years.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(Amounts in Thousands)

Note 5 - The exclusion claimed for debt service requirements on other long-term obligations of \$27,760 in the Governmental Funds consists of principal, interest, and miscellaneous charges of \$23,742, \$3,923, and \$95, respectively.

The exclusion claimed for debt service requirements on other long-term obligations of \$8,377 in the Enterprise Funds consists of principal and interest payments of \$6,316 and \$2,061, respectively, on Regional Wastewater Reclamation Department long-term loans payable.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$20,551, consists of \$17,132 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, administrative costs and transfers to the State General Fund, and \$3,419 of expenditures of antiracketeering revenues benefitting other jurisdictions totaling \$6,025. Unexpended antiracketeering revenues of \$2,606 and sheriff commissary revenues of \$1,861 benefitting inmates were carried forward to future years.

Note 7 - 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.

Description	
Grants and aid from the federal government	\$ 60,527
Amounts received from the State of Arizona	47,325
Highway user revenues in excess of those received in fiscal year 1979-80	45,801
Contracts with other political subdivisions	34,832
Other revenues—(nonexcludable)	<u>107,519</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$296,004</u>

Of the \$60,527 of grants and aid from the federal government, \$7 was unexpended and carried forward to future years. Of the \$47,325 of amounts received from the State of Arizona, \$2 was unexpended and carried forward to future years. Of the \$45,801 of highway user revenues, \$26,681 was excluded; \$14,163 was transferred, spent, and excluded as debt service requirements on bonded indebtedness; and \$4,957 was unexpended and carried forward to future years. Of the \$34,832 of contracts with other political subdivisions, \$1,207 was unexpended and carried forward to future years.

Note 8 - The exclusion claimed for grants and aid from the federal government of \$4,298 in the Enterprise Funds and \$11 in the Internal Service Funds consists of expended intergovernmental revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(Amounts in Thousands)

Note 9 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual in the Governmental Funds consists of expenditures of \$690 made from charges for services revenues of \$364 and miscellaneous revenues of \$326. Unexpended revenues of \$615 were carried forward to future years.

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual in the Enterprise Funds consists of expenses of \$39 made from other revenues of \$77. Unexpended other revenues of \$38 were carried forward to future years.

Note 10 - The exclusion claimed for amounts received from the State of Arizona of \$2,114 in the Enterprise Funds consists of expended intergovernmental revenues.

The exclusion claimed for amounts received from the State of Arizona of \$24 in the Internal Service Funds consist of expended intergovernmental revenues.

Note 11 - The exclusion claimed for quasi-external interfund transactions in the Governmental Funds consists of expenditures of charges for services revenues of \$41 and miscellaneous revenues of \$269. Unexpended revenues of \$18,340 and \$2,524, respectively, have been carried forward to future years.

The exclusion claimed for quasi-external interfund transactions of \$102 in the Enterprise Funds consists of expended net patient services revenues. Unexpended charges for services revenues of \$387 were carried forward to future years.

The exclusion claimed for quasi-external interfund transactions in the Internal Service Funds consists of expenses of \$29,555 made from charges for services revenues of \$39,295. Unexpended charges for services revenues of \$4,036 has been carried forward to future years.

Note 12 - The exclusion claimed for contracts with other political subdivisions in the Enterprise Funds consists of expenses of \$196,031 made from net patient services revenues of \$202,965 and other revenues of \$228. Unexpended net patient services revenues of \$7,162 were carried forward to future years.

The exclusion claimed for contracts with other political subdivisions of \$1,106 in the Internal Service Funds consists of expended other revenues.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(Amounts in Thousands)

Note 13 - 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>
Bond proceeds	\$45,939	\$ 7,378
Proceeds from other long-term obligation	960	22,161
Trustee or custodian	62	
Contributions	280	
Amounts received from the State of Arizona	295	
Highway user revenues in excess of those received in fiscal year 1979-80	<u>2,615</u>	
Total prior years carry forward expended	<u>\$50,151</u>	<u>\$29,539</u>

Note 14 - The subtraction of \$9,893 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 \$8,509 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>Special Districts</u>	<u>Total</u>
Public safety	\$10,414				\$10,414
Highways and streets				\$ 2	2
Culture and recreation		\$4,293	\$30,798		35,091
Debt service				32	32
Capital Projects Fund:					
Capital outlay	<u>9,264</u>	<u>23</u>	<u>222</u>		<u>9,509</u>
Total	<u>\$19,678</u>	<u>\$4,316</u>	<u>\$31,020</u>	<u>\$34</u>	<u>\$55,048</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.

Pima County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(Amounts in Thousands)

- Note 16 - 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.
- Note 17 - The subtraction of \$609 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the state for the cost of inpatient competency restoration treatment and part of the cost to commit an individual determined to be sexually violent by the court, as required by Laws 2009, Third Special Session, Chapter 10, Sections 20 and 32, which were recorded as welfare expenditures.
- Note 18 - The subtraction of \$2,767 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 \$612 is included in the Regional Wastewater Reclamation Department Fund's general and administrative expenses.

