



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2007

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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
Pinal County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pinal County for the year ended June 30, 2007. 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 Pinal County for the year ended June 30, 2007, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

November 3, 2008

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2007
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$124,694
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>124,693</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: Victoria Prins, Chief Financial Officer

Telephone Number: (520) 866-6209 Date: _____

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2007
(Amounts in thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 241,503	\$ 50,027	\$ 172	\$ 595,640	\$ 887,342
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	5,108	4	38		5,150
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	2,477	54			2,531
Trustee or custodian (Note 4)	3,143			595,640	598,783
Grants and aid from the federal government (Note 5)	13,014				13,014
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	998				998
Amounts received from the State of Arizona (Note 5)	14,116	40			14,156
Quasi-external interfund transactions (Note 7)		3,906	134		4,040
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8)	3,063				3,063
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	10,681				10,681
Contracts with other political subdivisions (Note 9)	10,018	44,822			54,840
Refunds, reimbursements, and other recoveries (Note 10)	2,438				2,438
Amounts received for distribution to school districts (Notes 5 and 11)	10,132				10,132
Prior years carryforward (Note 12)	<u>42,602</u>	<u>221</u>	<u> </u>	<u> </u>	<u>42,823</u>
Total exclusions claimed	<u>117,790</u>	<u>49,047</u>	<u>172</u>	<u>595,640</u>	<u>762,649</u>
C. Amounts subject to the expenditure limitation	<u>\$ 123,713</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,693</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2007
(Amounts in thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</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	\$ 270,047	\$ 50,276	\$ 12,176	\$ 595,640	\$ 928,139
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		310	12		322
Claims incurred but not reported (Note 13)		4,534			4,534
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 14)	16,566		11,992		28,558
Long-term care contributions withheld by the State Treasurer (Note 15)	10,310				10,310
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>1,668</u>				<u>1,668</u>
Total subtractions	<u>28,544</u>	<u>4,844</u>	<u>12,004</u>		<u>45,392</u>
C. Additions:					
Acquisition of capital assets		720			720
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)		<u>3,875</u>			<u>3,875</u>
Total additions		<u>4,595</u>	<u>-</u>		<u>4,595</u>
D. Amounts reported on Part II, Line A	<u>\$ 241,503</u>	<u>\$ 50,027</u>	<u>\$ 172</u>	<u>\$ 595,640</u>	<u>\$ 887,342</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts expressed 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 debt service requirements on other long-term obligations consists of principal and interest payments on obligations under capital leases. These payments consist of \$5 of general government, \$6 of public safety, \$857 of highways and streets, and \$4,240 of debt service expenditures in the Governmental Funds. In the Enterprise Funds and Internal Service Funds, the \$4 and \$38, respectively, consist of capital lease payments reported as operating expenses.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$2,477 in the Governmental Funds and \$54 in the Enterprise Funds consists of expenditures of investment earnings. Of the remaining investment earnings in the Governmental Funds, \$715 is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations and, therefore, is not reported as an exclusion; and \$134 is already included as an exclusion for amounts received for distribution to school districts (see Note 11). Remaining revenues of \$3,605 in the Governmental Funds have been carried forward to future years.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$3,143 in county contributions to the Arizona Health Care Cost Containment System for acute care, administrative cost contributions, and uncompensated care contributions, and in the Fiduciary Funds, the exclusion consists of \$595,640 in distributions to investment pool participants.

Note 5 - The following schedule presents Governmental Funds revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and amounts received for distribution to school districts:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts expressed in thousands)

Description	
Grants and aid from the federal government	\$13,014
Amounts received from the State of Arizona	14,116
Highway user revenues in excess of those received in fiscal year 1979-80	10,681
Amounts received for distribution to school districts	7,137
Other revenues—(nonexcludable)	41,682
Amount carried forward	<u>5,694</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$92,324</u>

Note 6 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes, in the Governmental Funds consists of contributions revenue expended. Remaining excludable revenues of \$615 in the Governmental Funds have been carried forward to future years.

Note 7 - The exclusion claimed for quasi-external interfund transactions of \$3,906 in the Enterprise Funds consists of \$3,649 of medical services to members of the Pinal County Long-Term Health Care Plan provided by Pinal County Horizon Home Care and Palm Villa Day Care, and \$257 in allocated administrative costs. These exclusions are reported as a long-term healthcare expense in the Enterprise Funds. Remaining excludable revenues of \$121 in the Enterprise Funds have been carried forward to future years. The exclusion of \$134 in the Internal Service Funds consists of revenues paid from the Governmental Funds and other Enterprise Funds for services received.

Note 8 - The \$3,063 exclusion claimed in the Governmental Funds for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements consists of highway and streets expenditures for new road construction and major road reconstruction projects made from the accumulation of sales tax revenues approved by county voters, and therefore, is exempted from the expenditure limitation. Remaining excludable revenues of \$3,650 in the Governmental Funds have been carried forward to future years.

Note 9 - The exclusion claimed for contracts with other political subdivisions of \$10,018 in the Governmental Funds and \$44,822 in the Enterprise Funds consists of charges for services revenues expended. Remaining excludable revenues of \$500 and \$3,645 in the Governmental Funds and the Enterprise Funds, respectively, have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts expressed in thousands)

Note 10 - The \$2,438 exclusion claimed in the Governmental Funds for refunds, reimbursements, and other recoveries consists of prior year voided warrants and refunds, insurance reimbursements, and recoveries for prosecution and investigations costs recorded as revenues in the Attorney Fund (County Anti-Racketeering). Remaining excludable revenues of \$1,870 in the Governmental Funds have been carried forward to future years.

Note 11 - The exclusion claimed for amounts received for distribution to school districts consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.

Note 12 - Prior years carryforward of \$42,602 in the Governmental Funds consist of \$23 and \$42,579 of constitutionally excludable revenues distributed to school districts and proceeds from other long-term debt obligations unexpended in the year of receipt that have been accumulated and were expended in the current year. Prior years carryforward of \$221 in the Enterprise Funds consists of constitutionally excludable quasi-external revenues unexpended in the year of receipt that have been accumulated and were expended in the current year.

Note 13 - The subtraction of \$4,534 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 Enterprise Funds.

Note 14 - The subtraction of \$16,566 and \$11,992 in the Governmental Funds and Internal Service Funds, respectively, for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts, municipal property corporations, and the Pinal County Employee Benefit Trust 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:

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General government	\$ 17	
Highways and streets	1,603	
Sanitation	59	
Culture and recreation	728	
Principal retirement	1,165	
Interest	49	
Capital outlay	<u>3,914</u>	
Total	<u>\$ 7,535</u>	

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007
(Amounts expressed in thousands)

	Governmental Funds	Internal Service Funds
Municipal Property Corporations		
Principal retirement	\$ 4,280	
Interest	<u>4,751</u>	
Total	<u>\$ 9,031</u>	
Employee benefit trust	<u> </u>	<u>\$11,992</u>
Total	<u>\$16,566</u>	<u>\$11,992</u>

Note 15 - 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 Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 16 - The addition of \$3,875 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 Enterprise Funds.