



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2008

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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, 2008. 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, 2008, 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

November 24, 2009

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2008
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$156,879
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>156,878</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: November 24, 2009

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2008
(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	\$ 239,795	\$ 61,255	\$ -	\$ 702,008	\$ 1,003,058
B. Less exclusions claimed:					
Proceeds from other long-term obligations (Note 2)	83	2,800			2,883
Debt service requirements on other long-term obligations (Note 3)	6,459	4			6,463
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	36	68			104
Trustee or custodian (Note 5)	3,155			702,008	705,163
Grants and aid from the federal government (Note 6)	11,156	363			11,519
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	171				171
Amounts received from the State of Arizona (Note 6)	13,611	85			13,696
Quasi-external interfund transactions (Note 8)	533	3,774			4,307
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	3,351				3,351
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	15,671				15,671
Contracts with other political subdivisions (Note 10)	8,191	52,554			60,745
Refunds, reimbursements, and other recoveries (Note 11)	5,444				5,444
Amounts received for distribution to school districts (Notes 6 and 12)	8,857				8,857
Prior years carryforward (Note 13)	<u>7,736</u>	<u>70</u>	<u> </u>	<u> </u>	<u>7,806</u>
Total exclusions claimed	<u>84,454</u>	<u>59,718</u>	<u> </u>	<u>702,008</u>	<u>846,180</u>
C. Amounts subject to the expenditure limitation	<u>\$ 155,341</u>	<u>\$ 1,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,878</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2008
(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	\$ 275,754	\$ 59,024	\$ 14,270	\$ 702,008	\$ 1,051,056
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		300			300
Claims incurred but not reported (Note 14)		4,854			4,854
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	18,912		14,270		33,182
Long-term care contributions withheld by the State Treasurer (Note 16)	10,975				10,975
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements (Note 17)	6,064				6,064
Involuntary court judgments (Note 18)	<u>8</u>				<u>8</u>
Total subtractions	<u>35,959</u>	<u>5,154</u>	<u>14,270</u>		<u>55,383</u>
C. Additions:					
Acquisition of capital assets		2,851			2,851
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 19)		<u>4,534</u>			<u>4,534</u>
Total additions		<u>7,385</u>			<u>7,385</u>
D. Amounts reported on Part II, Line A	<u>\$ 239,795</u>	<u>\$ 61,255</u>	<u>\$ -</u>	<u>\$ 702,008</u>	<u>\$ 1,003,058</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008
(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-based 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 proceeds from other long-term obligations in the Governmental Funds of \$83 and Enterprise Funds of \$2,800 consists of expenditures made from loan proceeds of \$3,695 and \$2,800, respectively, reported as original amounts of long-term debt. Remaining amounts of \$3,747, including \$135 reported as premium on loan, have been carried forward to future years.

Note 3 - 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 \$12 of general government, \$1,083 of highways and streets, and \$5,364 of debt service expenditures in the Governmental Funds. In the Enterprise Funds, the \$4 consist of capital lease payments reported as operating expenses.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$36 in the Governmental Funds consists of \$27 of investment income and \$9 of dividends received from the LGIP Bankruptcy recoveries recorded as miscellaneous revenue. The \$68 exclusion in the Enterprise Funds consists of expenditures of investment income. Of the \$6,584 of investment income in the Governmental Funds, \$619 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; \$136 is already included as an exclusion for amounts received for distribution to school districts (see Note 12). Remaining investment income revenues of \$5,802 in the Governmental Funds have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008
(Amounts in thousands)

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$3,155 in contributions by the County 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 \$702,008 in distributions to investment pool participants.

Note 6 - 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:

Description	
Grants and aid from the federal government	\$11,156
Amounts received from the State of Arizona	13,611
Highway user revenues in excess of those received in fiscal year 1979-80	15,671
Amounts received for distribution to school districts	5,754
Other revenues—(nonexcludable)	<u>45,922</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$92,114</u>

The exclusion claimed for grants and aid from the federal government of \$363 in the Enterprise Funds consists of \$6 in intergovernmental revenues and \$357 in charges for services revenues. The exclusion claimed of \$85 received from the State of Arizona in the Enterprise Funds were intergovernmental revenues.

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, in the Governmental Funds consists of contributions revenue expended. Remaining excludable revenues of \$24 in the Governmental Funds have been carried forward to future years.

Note 8 - The total exclusion claimed for quasi-external interfund transactions of \$4,307 consists of \$3,774 in the Enterprise Funds for 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 \$533 in the Governmental Funds for Home Health services and allocated administrative costs. The Enterprise Fund exclusions are reported as a long-term healthcare expense.

Note 9 - The \$3,351 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 \$2,957 in the Governmental Funds have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008
(Amounts in thousands)

Note 10 - The exclusion claimed for contracts with other political subdivisions of \$8,191 in the Governmental Funds and \$52,554 in the Enterprise Funds consists of charges for services revenues expended. Remaining excludable revenues of \$9,622 and \$1,524 in the Governmental Funds and the Enterprise Funds, respectively, have been carried forward to future years.

Note 11 - The \$5,444 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 \$250 in the Governmental Funds have been carried forward to future years.

Note 12 - 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 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	Governmental Funds	Enterprise Funds
Proceeds from other long-term obligations	\$4,563	
Dividends, interest, and gains on the sale or redemption of investment securities	221	\$31
Quasi-external interfund transactions		39
Contracts with other political subdivisions	152	
Highway user revenues in excess of those received in fiscal year 1979-80	2,033	
Amounts received for distribution to school districts	<u>767</u>	
	<u>\$ 7,736</u>	<u>\$70</u>

Note 14 - The subtraction of \$4,854 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 15 - The subtraction of \$18,912 and \$14,270 in the Governmental Funds and Internal Service Fund, respectively, for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts, the Municipal Property Corporation, Maricopa Road Public Improvement Corporation, 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 and Internal Service Fund categories in the fund financial statements:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008
(Amounts in thousands)

	Governmental Funds	Internal Service Fund
Special Assessment Districts		
General government	\$ 16	
Highways and streets	946	
Health	7,027	
Sanitation	10	
Culture and recreation	<u>1,234</u>	
Total	<u>\$ 9,233</u>	
Municipal Property Corporation		
Principal retirement	\$ 4,445	
Interest	4,575	
Capital outlay	<u>658</u>	
Total	<u>\$ 9,678</u>	
Maricopa Road Public Improvement Corporation		
Miscellaneous	\$ 1	
Employee Benefit Trust		
Total	<u>\$18,912</u>	<u>\$14,270</u>

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 \$6,064 for the present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements excludes amounts recorded in the Library District, which is presented as a separate legal entity established under Arizona Revised Statutes.

Note 18 - The subtraction of \$8 for involuntary court judgments in the Governmental Funds are payments made for court judgments against Pinal County that were incurred losses paid in the current year.

Note 19 - The addition of \$4,534 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.

