

Pinal County, Arizona

Report on Audit of
Annual Expenditure Limitation Report

Year Ended June 30, 2010

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

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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Pinal County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pinal County, Arizona for the year ended June 30, 2010. This report is the responsibility of Pinal County, Arizona'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, Arizona 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 Pinal County, Arizona, 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.

Walker & Armstrong LLP

Phoenix, Arizona
December 21, 2010

Pinal County, Arizona
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2010
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 193,440
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>139,895</u>
3. Amount under the expenditure limitation	<u>\$ 53,545</u>

Signature of Chief Fiscal Officer: _____

Name and Title: Victoria L. Prins, Chief Financial Officer

Telephone Number: 1-520-866-6250

Date: December 21, 2010

See accompanying notes to report

Pinal County, Arizona
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2010
(Amounts expressed in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 216,849	\$ 67,761	\$ -	\$ 648,020	\$ 932,630
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	11,283	113	-	-	11,396
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	275	-	-	-	275
Trustee or custodian (Note 4)	2,826	-	-	648,020	650,846
Grants and aid from the federal government (Note 5)	12,467	686	-	-	13,153
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	71	-	-	-	71
Amounts received from the State of Arizona (Note 5)	11,735	60	-	-	11,795
Quasi-external interfund transactions (Note 7)	1,250	4,434	-	-	5,684
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8)	3,984	-	-	-	3,984
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	10,034	-	-	-	10,034
Contracts with other political subdivisions (Notes 5 and 9)	10,528	61,364	-	-	71,892
Refunds, reimbursements, and other recoveries (Note 10)	1,819	3	-	-	1,822
Amounts received for distribution to school districts (Notes 5 and 11)	7,923	-	-	-	7,923
Prior years carryforward (Note 12)	3,860	-	-	-	3,860
Total exclusions claimed	<u>78,055</u>	<u>66,660</u>	<u>-</u>	<u>648,020</u>	<u>792,735</u>
C. Amounts subject to the expenditure limitation	<u>\$ 138,794</u>	<u>\$ 1,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,895</u>

See accompanying notes to report

Pinal County, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2010
(Amounts expressed in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 244,202	\$ 67,673	\$ 18,526	\$ 648,020	\$ 978,421
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	459	-	-	459
Loss on disposal of capital assets	-	66	-	-	66
Claims incurred but not reported (Note 13)	-	3,925	-	-	3,925
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 14)	17,754	-	18,526	-	36,280
Long-term care contributions withheld by the State Treasurer (Note 15)	7,501	-	-	-	7,501
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	2,098	-	-	-	2,098
Total subtractions	<u>27,353</u>	<u>4,450</u>	<u>18,526</u>	<u>-</u>	<u>50,329</u>
C. Additions:					
Principal payments on long-term debt	-	38	-	-	38
Acquisition of capital assets	-	110	-	-	110
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)	-	4,390	-	-	4,390
Total additions	<u>-</u>	<u>4,538</u>	<u>-</u>	<u>-</u>	<u>4,538</u>
D. Amounts reported on Part II, Line A	<u>\$ 216,849</u>	<u>\$ 67,761</u>	<u>\$ -</u>	<u>\$ 648,020</u>	<u>\$ 932,630</u>

See accompanying notes to report

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(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 of \$11,283 claimed for debt service requirements on other long-term obligations in the governmental funds consists of principal and interest payments on obligations under capital leases and loans payable. In the Enterprise Funds, the \$113 is interest paid on capital lease obligations and loans payable.
- Note 3 -** The exclusion claimed for dividends, interest and gains on the sale or redemption of investment securities of \$275 in the Governmental Funds consists of expenditures of investment income. Of the \$1,504 of investment earnings reported in the Governmental Funds, \$159 is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations, and therefore, that amount is not reported as an exclusion, and \$47 is already included as an exclusion for amounts received for distribution to school districts (see Note 11). Remaining revenues of \$1,023 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 \$2,826 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 \$648,020 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, amounts received for distribution to school districts, and contracts with other political subdivisions:

Pinal County
 Notes to Annual Expenditure Limitation Report
 Year Ended June 30, 2010
 (Amounts expressed in thousands)

Description	Governmental Funds
Grants and aid from the federal government	\$ 12,467
Amounts received from the State of Arizona	11,735
Highway user revenues in excess of those received in fiscal year 1979-80	10,034
Amounts received for distribution to school districts	5,225
Contracts with other political subdivisions	4,667
Other revenues – (nonexcludable)	34,044
Amount carried forward	3,527
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 81,699</u>

The exclusion claimed for grants and aid from the federal government of \$686 in the Enterprise Funds were reported as charges for services revenues. The exclusion claimed of \$60 received from the State of Arizona in the Enterprise Funds were reported as intergovernmental revenues.

- 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 amounts of \$157 have been carried forward to future years.
- Note 7 -** The total exclusion claimed for quasi-external interfund transactions of \$5,684 consists of \$4,434 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 \$1,250 in the Governmental Funds consist of home health services and allocated administrative costs. The Enterprise Fund exclusions are reported as a long-term healthcare expense.
- Note 8 -** The \$3,984 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 highways 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, it is exempted from the expenditure limitation.
- Note 9 -** The exclusion claimed for contracts with other political subdivisions of \$10,528 in the Governmental Funds and \$61,364 in the Enterprise Funds consists of charges for services and intergovernmental revenues expended. Remaining excludable revenues of \$9,051 in the Governmental Funds have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010
(Amounts expressed in thousands)

- Note 10** - The \$1,819 exclusion claimed in the Governmental Funds and the \$3 exclusion claimed in the Enterprise 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 in the Attorney Fund (County Anti-Racketeering). Such items are recorded as miscellaneous revenues in the financial statements. Remaining excludable revenues of \$605 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 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
Proceeds from other long-term obligations	\$ 3,148
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	217
Refunds, reimbursements, and other recoveries	495
Total carryforward	\$ 3,860

- Note 13** - The subtraction of \$3,925 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 \$17,754 and \$18,526 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, the Municipal Property 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 Funds categories in the fund financial statements:

Pinal County
 Notes to Annual Expenditure Limitation Report
 Year Ended June 30, 2010
 (Amounts expressed in thousands)

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General government	\$ 385	
Highways and streets	2,620	
Health	5,099	
Sanitation	146	
Culture and recreation	2,030	
Subtotal	\$ 10,280	
Municipal Property Corporations		
Principal retirement	\$ 3,295	
Interest	4,175	
Miscellaneous	4	
Subtotal	\$ 7,474	
Employee Benefit Trust	-	\$ 18,526
Total	\$ 17,754	\$ 18,526

Note 15 - 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 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 \$4,390 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.