

Pinal County, Arizona

Report on Audit of
Annual Expenditure Limitation Report

Year Ended June 30, 2011

Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2011

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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, 2011. 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, 2011, 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 2, 2011

Pinal County, Arizona
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2011
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 199,688
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>136,449</u>
3. Amount under the expenditure limitation	<u>\$ 63,239</u>

Signature of Chief Fiscal Officer: _____

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

Telephone Number: (520) 866-6209

Date: December 2, 2011

See accompanying notes to report

Pinal County, Arizona
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2011
(Amounts expressed in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 248,115	\$ 69,951	\$ -	\$ 686,236	\$ 1,004,302
B. Less exclusions claimed:					
Bond proceeds (Note 2)	23,206	-	-	-	23,206
Debt service requirements on bonded indebtedness (Note 3)	504	-	-	-	504
Debt service requirements on other long-term obligations (Note 4)	11,474	382	-	-	11,856
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	172	108	-	-	280
Trustee or custodian (Note 6)	2,422	-	-	686,236	688,658
Grants and aid from the federal government (Note 7)	12,654	631	-	-	13,285
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	165	-	-	-	165
Amounts received from the State of Arizona (Note 7)	11,310	60	-	-	11,370
Quasi-external interfund transactions (Note 9)	1,230	6,208	-	-	7,438
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	4,798	-	-	-	4,798
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	10,401	-	-	-	10,401
Contracts with other political subdivisions (Notes 7 and 11)	20,117	60,939	-	-	81,056
Refunds, reimbursements, and other recoveries (Note 12)	1,933	65	-	-	1,998
Amounts received for distribution to school districts (Notes 7 and 13)	8,281	-	-	-	8,281
Prior years carryforward (Note 14)	4,557	-	-	-	4,557
Total exclusions claimed	<u>113,224</u>	<u>68,393</u>	<u>-</u>	<u>686,236</u>	<u>867,853</u>
C. Amounts subject to the expenditure limitation	<u>\$ 134,891</u>	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,449</u>

See accompanying notes to report

Pinal County, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2011
(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	\$ 278,092	\$ 69,044	\$ 19,211	\$ 686,236	\$ 1,052,583
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	447	-	-	447
Claims incurred but not reported (Note 15)	-	3,969	-	-	3,969
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 16)	18,848	-	19,211	-	38,059
Long-term care contributions withheld by the State Treasurer (Note 17)	11,129	-	-	-	11,129
Total subtractions	<u>29,977</u>	<u>4,416</u>	<u>19,211</u>	<u>-</u>	<u>53,604</u>
C. Additions:					
Principal payments on long-term debt (Note 18)	-	279	-	-	279
Acquisition of capital assets	-	1,119	-	-	1,119
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 19)	-	3,925	-	-	3,925
Total additions	<u>-</u>	<u>5,323</u>	<u>-</u>	<u>-</u>	<u>5,323</u>
D. Amounts reported on Part II, Line A	<u>\$ 248,115</u>	<u>\$ 69,951</u>	<u>\$ -</u>	<u>\$ 686,236</u>	<u>\$ 1,004,302</u>

See accompanying notes to report

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011
(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 \$23,206 claimed for bond proceeds in the Governmental Funds consists of revenue bond proceeds spent for construction and of refunding revenue bond proceeds used for the refunding of the County's Series 2001 certificates of participation. The remaining balance of unspent revenue bond proceeds of \$8,762 has been carried forward to future years.
- Note 3** - The exclusion claimed of \$504 for debt service requirements on bonded indebtedness in the Governmental Funds consists of interest paid on outstanding bonds.
- Note 4** - The exclusion of \$11,474 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 \$382 is principal and interest paid on capital lease obligations and loans payable.
- Note 5** - The exclusion claimed for dividends, interest and gains on the sale or redemption of investment securities of \$172 in the Governmental Funds and \$108 in the Enterprise Funds consists of expenditures of investment income. Of the \$995 of investment earnings reported in the Governmental Funds, \$127 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. An additional \$42 is already included as an exclusion for amounts received for distribution to the County's Accommodation School (see Note 13). Remaining revenues of \$654 in the Governmental Funds and \$29 in the Enterprise Funds have been carried forward to future years.
- Note 6** - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,422 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 \$686,236 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011
(Amounts expressed in thousands)

Note 7 - The following schedule presents Governmental Fund 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:

Description	Governmental Funds
Grants and aid from the federal government	\$ 12,654
Amounts received from the State of Arizona	11,310
Highway user revenues in excess of those received in fiscal year 1979-80	10,401
Amounts received for distribution to school districts	3,483
Contracts with other political subdivisions	4,585
Other revenues – (nonexcludable)	37,742
Amount carried forward	989
Total intergovernmental revenues as reported in the fund financial statements	\$ 81,164

The exclusion claimed for grants and aid from the federal government of \$631 in the Enterprise Funds was reported as intergovernmental revenues. The exclusion claimed of \$60 from the State of Arizona in the Enterprise Funds was reported as intergovernmental revenues. Remaining amounts of \$14 from the State of Arizona in the Enterprise Funds have been carried forward to future years.

Note 8 - 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 \$15 have been carried forward to future years.

Note 9 - The total exclusion claimed for quasi-external interfund transactions of \$7,438 consists of \$6,208 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 \$1,230 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. Remaining amounts of \$7 in the Governmental Funds, and \$620 in the Enterprise Funds have been carried forward to future years.

Note 10 - The \$4,798 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.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011
(Amounts expressed in thousands)

Note 11 - The exclusion claimed for contracts with other political subdivisions of \$20,117 in the Governmental Funds and \$60,939 in the Enterprise Funds consists of charges for services and intergovernmental revenues expended. Remaining excludable revenues of \$1,909 in the Governmental Funds and \$11 in the Enterprise Funds have been carried forward to future years.

Note 12 - The \$1,933 exclusion claimed in the Governmental Funds and the \$65 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 cost recorded in the Attorney Fund (County Anti-Racketeering). Such items are recorded as fines and forfeitures (\$1,685), miscellaneous revenues (\$248) and other financing sources (\$65) in the financial statements. Remaining excludable fees, fines and forfeitures totaling \$779 in the Governmental Funds has been carried forward to future years. Miscellaneous revenues in the Enterprise Funds totaling \$237 have also been carried forward to future years.

Note 13 - 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 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	Governmental Funds
Proceeds from other long-term obligations	\$ 4,219
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	338
Total carryforward	\$ 4,557

Note 15 - The subtraction of \$3,969 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 16 - The subtraction of \$18,848 and \$19,211 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, 2011
(Amounts expressed in thousands)

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General government	\$ 2,360	
Highways and streets	2,529	
Health	5,419	
Sanitation	42	
Culture and recreation	1,959	
Subtotal	\$ 12,309	
Municipal Property Corporations		
Principal retirement	\$ 3,425	
Interest	3,112	
Miscellaneous	2	
Subtotal	\$ 6,539	
Employee Benefit Trust	-	\$ 19,211
Total	\$ 18,848	\$ 19,211

Note 17 - 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 18 - The addition of \$279 for principal payment on long-term debt in the Enterprise Funds consists of \$34 for capital lease payments and \$245 for a loan payment.

Note 19 - The addition of \$3,925 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.