

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2017

Pinal County, Arizona
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2017

Table of Contents

Independent Accountants' Report	1
Annual Expenditure Limitation Report – Part I	2
Annual Expenditure Limitation Report – Part II	3
Annual Expenditure Limitation Report – Reconciliation	4
Notes to Annual Expenditure Limitation Report	5-7

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

The Board of Supervisors of
Pinal County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Pinal County, Arizona (County), for the year ended June 30, 2017, and related notes to the report. The County's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the UERS in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature timing and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Pinal County, Arizona, referred to above, is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.



CliftonLarsonAllen LLP

Phoenix, Arizona
July 2, 2018

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2017
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 244,785
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>158,544</u>
3. Amount under (in excess of) the expenditure limitation	<u>\$ 86,241</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: Levi D. Gibson, Finance Director

Telephone Number: (520) 866-6404 Date: July 2, 2018

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2017
(Amounts in thousands)

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 236,177	\$ 942	18,899	\$ 546,674	\$ 802,692
B. Less exclusions claimed:					
Debt service requirements (Note 2)	15,273	-	-	-	15,273
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	158	-	-	-	158
Trustee or custodian (Note 4)	3,228	-	-	546,674	549,902
Grants and aid from the federal government (Note 5)	14,454	-	-	-	14,454
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	2,695	-	-	-	2,695
Amounts received from the State of Arizona (Note 5)	11,446	47	-	-	11,493
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 7)	2,853	-	-	-	2,853
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	19,400	-	-	-	19,400
Contracts with other political subdivisions (Notes 5 and 8)	3,123	-	-	-	3,123
Refunds, reimbursements, and other recoveries (Note 10)	1,494	-	3	-	1,497
Amounts received for distribution to school districts (Notes 5 and 9)	4,922	-	-	-	4,922
Prior years carryforward (Note 14)	18,378	-	-	-	18,378
Total exclusions claimed	<u>97,424</u>	<u>47</u>	<u>3</u>	<u>546,674</u>	<u>644,148</u>
C. Amounts subject to the expenditure limitation	<u>\$ 138,753</u>	<u>\$ 895</u>	<u>\$ 18,896</u>	<u>\$ -</u>	<u>\$ 158,544</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2017
(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	\$ 266,502	\$ 1,021	\$ 18,873	\$ 546,674	\$ 833,070
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation	-	194	-	-	194
Pension expense (Note 12)	-	(90)	(15)	-	(105)
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11)	14,843	-	-	-	14,843
Long-term care contributions the State Treasurer withheld (Note 13)	14,900	-	-	-	14,900
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	582	-	-	-	582
Total subtractions	<u>30,325</u>	<u>104</u>	<u>(15)</u>	<u>-</u>	<u>30,414</u>
C. Additions:					
Pension contributions paid in the current year (Note 12)	-	25	11	-	36
Total additions	<u>-</u>	<u>25</u>	<u>11</u>	<u>-</u>	<u>36</u>
D. Amounts reported on Part II, Line A	<u>\$ 236,177</u>	<u>\$ 942</u>	<u>\$ 18,899</u>	<u>\$ 546,674</u>	<u>\$ 802,692</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017
(Amounts in thousands)

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes (A.R.S.) §41-1279.07. The AELR 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, 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, Expenses, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 - The exclusion claimed for debt service requirements of \$15,273 in the Governmental Funds consists of principal payments of \$8,081 and interest payments of \$7,192.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$158 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$354 in the Governmental Funds, \$51 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. An additional \$7 is already included as an exclusion for amounts received for distribution to school districts (see Note 9). Remaining revenues of \$138 in the Governmental Funds have been carried forward to future years.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$3,228 consists of county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the Fiduciary Funds, the exclusion consists of \$546,674 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017
(Amounts in thousands)

Note 5 - 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, amounts received for distribution to school districts, contracts with other political subdivisions in the Governmental Funds. The amounts excluded do not exceed expenditures of such revenues.

<u>Description</u>	<u>Amount</u>
Grants and aid from the federal government	\$ 14,454
Amounts received from the State of Arizona	11,446
Highway user revenues in excess of those received in fiscal year 1979-80	19,400
Contracts with other political subdivisions	3,123
Amounts received for distribution to school districts	2,062
Other revenues (nonexcludable)	46,359
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 96,844</u>

<u>Description</u>	<u>Amount</u>
Amounts received from the State of Arizona	\$ 47
Total intergovernmental revenues as reported in the proprietary fund financial statements	<u>\$ 47</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 of \$2,695 in the Governmental Funds, consists of contributions revenue expended.

Note 7 - The \$2,853 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, is exempted from the expenditure limitation.

Note 8 - The exclusion claimed of \$3,123 in the Governmental Funds consists of intergovernmental services expended. These services include early voting and boarding of prisoners for other governments.

Note 9 - The exclusion claimed of \$4,922 for amounts received for distribution to school districts consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017
(Amounts in thousands)

Note 10 - The \$1,497 exclusion claimed in the Governmental Funds and Internal Service Funds for refunds, reimbursements, and other recoveries consists of prior year voided warrants and refunds and insurance reimbursements. Such items are recorded as miscellaneous revenues (\$1,315) and other financing sources (\$182) in the financial statements.

Note 11 - The subtraction of \$14,843 in the Governmental Funds, 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 categories in the fund financial statements:

	Governmental Funds
Special Assessment Districts	
Highways and streets	\$ 4,265
Health	8,263
Sanitation	1
Culture and recreation	2,314
Total	\$ 14,843

Note 12 - The subtraction of (\$105) for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise/Internal Service Funds. The addition of \$36 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise/Internal Service Funds.

Note 13 - The subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes withheld 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 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:

	Governmental Funds
Description	
Debt Proceeds	\$ 17,935
Amounts received for the distribution to school districts	443
Total prior years carryforward expended	\$ 18,378