



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2002



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2002

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
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, 2002. 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, 2002, 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 and the Board of Supervisors, 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

May 28, 2003

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2002

- | | |
|--|-------------------|
| 1. Economic Estimates Commission expenditure limitation | \$77,494,943 |
| 2. Amount subject to the expenditure limitation (total amount from
Part II, Line C) | <u>77,494,942</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: Maureen Arnold, CPA, CGFM, CPFO, Chief Financial Officer

Telephone Number: (520) 866-6225 Date: 6/20/03

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2002

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 103,169,221	\$ 29,059,618	\$ 573,650	\$ 322,181,047	\$ 454,983,536
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	3,655,349		4,027		3,659,376
Dividends, interest, and gains on the sale or redemption of investment securities		128,514			128,514
Trustee or custodian (Note 3)	2,715,596			322,181,047	324,896,643
Grants and aid from the federal government (Note 4)	10,736,186				10,736,186
Amounts received from the State of Arizona (Note 4)	2,325,345	33,000			2,358,345
Quasi-external interfund transactions (Note 5)		2,829,660			2,829,660
Contracts with other political subdivisions		25,885,247			25,885,247
Amounts received for distribution to school districts (Notes 4)	6,811,426				6,811,426
Prior years carryforward (Note 6)		183,197			183,197
	<u>26,243,902</u>	<u>29,059,618</u>	<u>4,027</u>	<u>322,181,047</u>	<u>377,488,594</u>
Total exclusions claimed					
	<u>26,243,902</u>	<u>29,059,618</u>	<u>4,027</u>	<u>322,181,047</u>	<u>377,488,594</u>
C. Amounts subject to the expenditure limitation	<u>\$ 76,925,319</u>	<u>\$ -</u>	<u>\$ 569,623</u>	<u>\$ -</u>	<u>\$ 77,494,942</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2002

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-based financial statements	\$115,672,220	\$29,840,252	\$ 579,898	\$ 322,181,047	\$ 468,273,417
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		58,612	12,845		71,457
Loss on disposal of capital assets		5,602			5,602
Claims incurred but not reported (Note 7)		3,230,452			3,230,452
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 8)	5,018,034				5,018,034
Long-term care contributions withheld by the State Treasurer (Note 9)	6,738,332				6,738,332
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	307,549				307,549
Charges paid to the Internal Service Funds (Note 10)	439,084	56,193	6,216		501,493
Total subtractions	<u>12,502,999</u>	<u>3,350,859</u>	<u>19,061</u>		<u>15,872,919</u>
C. Additions:					
Principal payments on long-term debt		6,927	4,027		10,954
Acquisition of capital assets		31,635	8,786		40,421
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 11)		2,531,663			2,531,663
Total additions		<u>2,570,225</u>	<u>12,813</u>		<u>2,583,038</u>
D. Amounts reported on Part II, Line A	<u>\$ 103,169,221</u>	<u>\$29,059,618</u>	<u>\$ 573,650</u>	<u>\$ 322,181,047</u>	<u>\$ 454,983,536</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002

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 deduction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund-based 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 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 \$3,637,969 of general government and \$17,380 of highways and streets expenditures in the Governmental Funds.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,715,596 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and in the Fiduciary Funds, the exclusion consists of \$322,181,047 in distributions to investment pool participants.

Note 4 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid and amounts received from the State of Arizona in the Governmental Funds.

Description	
Grants and aid from the federal government	\$10,736,186
Amounts received from the State of Arizona	2,325,345
Amounts received for distribution to school districts	6,811,426
Other revenues—(nonexcludable)	28,942,244
Amount carried forward	<u>3,676,353</u>
Total intergovernmental revenues as reported in the fund-based financial statements	<u>\$52,491,554</u>

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002

- Note 5 - The exclusion claimed for quasi-external interfund transactions of \$2,829,660 consists of \$2,658,671 of medical services to members of the Pinal County Long-Term Health Care Plan by Pinal County Nursing Center, Pinal County Home Health Department, Palm Villa Day Care, and Homemaking Services of Pinal County; plus \$170,989 in allocated administrative costs. These exclusions are reported as a long-term healthcare expense in the Enterprise Funds.
- Note 6 - Prior years carryforward consists of \$183,197 of contracts with other political subdivisions that were constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year.
- Note 7 - The subtraction of \$3,230,452 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 8 - The deduction of \$5,018,034 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations 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 basic financial statements:

Special Assessment Districts

Highways and streets	\$ 783,162
Sanitation	12,854
Culture and recreation	387,323
Principal retirement	835,000
Interest and fiscal charges	<u>251,906</u>
Total	<u>\$2,270,245</u>

Municipal Property Corporations

General government	<u>\$2,747,789</u>
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- Note 9 - 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 deducted on the Reconciliation.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2002

- Note 10 - The subtraction of charges paid to the Internal Service Fund was allocated based on the original charges to the funds. The remaining charges for services were to external entities.
- Note 11 - The addition of \$2,531,663 for claims paid in the current year, but reported as expenses incurred but not reported in previous years consists of cash outlays for those claims that were paid in the current year and recognized as an expense in previous years in the Enterprise funds.