



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2004



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2004

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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, 2004. 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, 2004, 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

June 3, 2005

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2004

- | | |
|----------------------------------------------------------------------------------------|-------------------|
| 1. Economic Estimates Commission expenditure limitation | \$91,061,299 |
| 2. Amount subject to the expenditure limitation (total amount from
Part II, Line C) | <u>91,061,298</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: Terry Doolittle, Deputy County Manager

Telephone Number: (520) 866-6248 Date: 6/8/2005

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2004

Description	Governmental Funds	Enterprise Funds	Internal Service Fund	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 127,736,216	\$ 40,633,583	\$ 373,519	\$ 351,691,031	\$ 520,434,349
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	409,602		4,027		413,629
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	434	65,668			66,102
Trustee or custodian (Note 4)	2,715,596			351,691,031	354,406,627
Grants and aid from the federal government (Note 5)	11,583,276				11,583,276
Amounts received from the State of Arizona (Note 5)	9,399,669	40,140			9,439,809
Quasi-external interfund transactions (Note 6)		3,527,278	326,889		3,854,167
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	9,648,812				9,648,812
Contracts with other political subdivisions (Note 7)		32,726,763			32,726,763
Amounts received for distribution to school districts (Notes 5 and 8)	<u>7,233,866</u>				<u>7,233,866</u>
Total exclusions claimed	<u>40,991,255</u>	<u>36,359,849</u>	<u>330,916</u>	<u>351,691,031</u>	<u>429,373,051</u>
C. Amounts subject to the expenditure limitation	<u>\$ 86,744,961</u>	<u>\$ 4,273,734</u>	<u>\$ 42,603</u>	<u>\$ -</u>	<u>\$ 91,061,298</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2004

Description	Governmental Funds	Enterprise Funds	Internal Service Fund	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 155,258,604	\$ 39,941,079	\$ 366,834	\$ 351,691,031	\$ 547,257,548
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		40,542	6,267		46,809
Claims incurred but not reported (Note 9)		3,431,433			3,431,433
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 10)	17,920,186				17,920,186
Long-term care contributions withheld by the State Treasurer (Note 11)	6,728,858				6,728,858
Present value of net minimum capital lease payments recorded as expenditures at inception of the agreements	<u>2,873,344</u>				<u>2,873,344</u>
Total subtractions	<u>27,522,388</u>	<u>3,471,975</u>	<u>6,267</u>		<u>31,000,630</u>
C. Additions:					
Principal payments on long-term debt			3,841		3,841
Acquisition of capital assets		389,788	9,111		398,899
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 12)		<u>3,774,691</u>			<u>3,774,691</u>
Total additions		<u>4,164,479</u>	<u>12,952</u>		<u>4,177,431</u>
D. Amounts reported on Part II, Line A	<u>\$ 127,736,216</u>	<u>\$ 40,633,583</u>	<u>\$ 373,519</u>	<u>\$ 351,691,031</u>	<u>\$ 520,434,349</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

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 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 \$391,066 of general government, \$12,289 of public safety, and \$6,247 of health expenditures in the Governmental Funds.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$434 in the Governmental Funds and \$65,668 in the Enterprise Funds consists of expenditures of interest on investments. Remaining revenues of \$331,137 and \$6,477, respectively, have been carried forward to future years. Of the remaining investment income in the Governmental Funds, \$144,397 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; and \$19,747 is already included as an exclusion for amounts received for distribution to school districts (see Note 8).

Note 4 - 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 \$351,691,031 in distributions to investment pool participants.

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, and amounts received for distribution to school districts in the Governmental Funds:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Description	
Grants and aid from the federal government	\$11,583,276
Amounts received from the State of Arizona	9,399,669
Highway user revenues in excess of those received in fiscal year 1979-80	9,648,812
Amounts received for distribution to school districts	7,233,866
Other revenues—(nonexcludable)	21,900,209
Amount carried forward	<u>1,042,139</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$60,807,971</u>

- Note 6 - The exclusion claimed for quasi-external interfund transactions of \$3,527,278 in the Enterprise Funds consists of \$3,269,423 of medical services to members of the Pinal County Long-Term Health Care Plan by Pinal County Horizon Home Care and Palm Villa Day Care and \$257,855 in allocated administrative costs. These exclusions are reported as a long-term healthcare expense in the Enterprise Funds. The exclusion of \$326,889 in the Internal Service Fund consist of \$289,849 and \$37,040 of charges paid from the Governmental Funds and Enterprise Funds, respectively.
- Note 7 - The exclusion claimed for contracts with other political subdivisions of \$32,726,763 in the Enterprise Funds consists of charges for services revenues expended. Remaining revenues of \$295,806 have been carried forward to future years.
- Note 8 - The exclusion claimed for amounts received for distribution to school districts consists of federal, state, and county revenues reported as education expenditures for operating an accommodation school.
- Note 9 - The subtraction of \$3,431,433 for claims incurred but not reported consists of the estimated cost of claims incurred and expensed in the current year but not yet paid in the Enterprise Funds.
- Note 10 - The subtraction of \$17,920,186 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 fund financial statements:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Special Assessment Districts

General government	\$ 16,827
Highways and streets	902,213
Sanitation	19,175
Culture and recreation	462,575
Capital outlay	11,254,502
Principal retirement	1,040,000
Interest and fiscal charges	<u>181,594</u>
Total	<u>\$13,876,886</u>

Municipal Property Corporations

General government	<u>\$ 4,043,300</u>
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Note 11 - 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 subtracted on the Reconciliation.

Note 12 - The addition of \$3,774,691 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.