



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Pinal County

Year Ended June 30, 2009

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**Debra K. Davenport**  
Auditor General

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Pinal County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2009

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
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, 2009. 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, 2009, 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, and management, 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.

Jay Zsorey, CPA  
Financial Audit Director

November 23, 2010

Pinal County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2009  
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$176,797
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>144,709</u>
3. Amount under the expenditure limitation	<u>\$ 32,088</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: Victoria Prins, Chief Financial Officer

Telephone Number: (520) 866-6209 Date: November 23, 2010

See accompanying notes to report.

Pinal County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2009  
(Amounts in thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 229,925	\$ 65,277	\$ -	\$ 811,859	\$ 1,107,061
B. Less exclusions claimed:					
Proceeds from other long-term obligations (Note 2)	3,189				3,189
Debt service requirements on other long-term obligations (Note 3)	11,379	147			11,526
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	602				602
Trustee or custodian (Note 5)	3,168			811,859	815,027
Grants and aid from the federal government (Note 6)	12,082	990			13,072
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	347				347
Amounts received from the State of Arizona (Note 6)	9,824	35			9,859
Quasi-external interfund transactions (Note 8)	1,453	4,386			5,839
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	5,220				5,220
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	12,884				12,884
Contracts with other political subdivisions (Note 10)	13,600	58,610			72,210
Refunds, reimbursements, and other recoveries (Note 11)	106	1			107
Amounts received for distribution to school districts (Notes 6 and 12)	9,152				9,152
Prior years carryforward (Note 13)	<u>3,318</u>				<u>3,318</u>
Total exclusions claimed	<u>86,324</u>	<u>64,169</u>		<u>811,859</u>	<u>962,352</u>
C. Amounts subject to the expenditure limitation	<u>\$ 143,601</u>	<u>\$ 1,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,709</u>

See accompanying notes to report.

Pinal County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2009  
(Amounts in thousands)

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</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	\$ 270,314	\$ 65,089	\$ 16,905	\$ 811,859	\$ 1,164,167
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		443			443
Loss on disposal of capital assets		8			8
Claims incurred but not reported (Note 14)		4,390			4,390
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	21,401		16,905		38,306
Long-term care contributions withheld by the State Treasurer (Note 16)	12,905				12,905
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>6,083</u>				<u>6,083</u>
Total subtractions	<u>40,389</u>	<u>4,841</u>	<u>16,905</u>		<u>62,135</u>
C. Additions:					
Principal payments on long-term debt		30			30
Acquisition of capital assets		145			145
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 17)		<u>4,854</u>			<u>4,854</u>
Total additions		<u>5,029</u>			<u>5,029</u>
D. Amounts reported on Part II, Line A	<u>\$ 229,925</u>	<u>\$ 65,277</u>	<u>\$ -</u>	<u>\$ 811,859</u>	<u>\$ 1,107,061</u>

See accompanying notes to report.

Pinal County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009  
(Amounts 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 claimed for proceeds from other long-term obligations in the Governmental Funds of \$3,189 consists of expenditures made from loan proceeds of \$12,834 reported, including premiums, as original amounts of long-term debt. Remaining amounts of \$9,645 have been carried forward to future years.

Note 3 - 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 \$12 of general government, \$1,719 of highways and streets, and \$9,648 of debt service expenditures in the Governmental Funds. In the Enterprise Funds, the \$147 consist of capital lease payments reported as operating expenses.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$602 in the Governmental Funds consists of investment income. Of the \$4,178 of investment income in the Governmental Funds, \$250 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; \$72 is already included as an exclusion for amounts received for distribution to school districts (see Note 12). Remaining investment income revenues of \$3,254 in the Governmental Funds have been carried forward to future years.



Pinal County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009  
(Amounts in thousands)

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$3,168 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 \$811,859 in distributions to investment pool participants.

Note 6 - 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:

Description	
Grants and aid from the federal government	\$12,082
Amounts received from the State of Arizona	9,824
Highway user revenues in excess of those received in fiscal year 1979-80	12,884
Amounts received for distribution to school districts	6,935
Contracts with other political subdivisions	4,400
Other revenues—(nonexcludable)	41,157
Amount carried forward	<u>5,374</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$92,656</u>

The exclusion claimed for grants and aid from the federal government of \$990 in the Enterprise Funds consists of charges for services revenues. The exclusion claimed of \$35 received from the State of Arizona in the Enterprise Funds was intergovernmental revenues.

Note 7 - 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 excludable revenues of \$125 in the Governmental Funds have been carried forward to future years.

Note 8 - The total exclusion claimed for quasi-external interfund transactions of \$5,839 consists of \$4,386 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 Palm Villa Day Care, and \$1,453 in the Governmental Funds for Home Health services and allocated administrative costs. The Enterprise Fund exclusions are reported as a long-term healthcare expense.

Pinal County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009  
(Amounts in thousands)

Note 9 - The \$5,220 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 highway 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 10 - The exclusion claimed for contracts with other political subdivisions of \$13,600 in the Governmental Funds and \$58,610 in the Enterprise Funds consists of charges for services revenues and intergovernmental revenues expended. Remaining excludable revenues of \$7,009 and \$2,048 in the Governmental Funds and the Enterprise Funds, respectively, have been carried forward to future years.

Note 11 - The \$106 exclusion claimed in the Governmental Funds and \$1 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 as revenues in the Attorney Fund (County Anti-Racketeering). Remaining excludable revenues of \$1,622 in the Governmental Funds have been carried forward to future years.

Note 12 - 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 13 - 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	\$1,724
Grants and aid from the federal government	852
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	23
Amounts accumulated for the purchase of land, and the purchase or construction of building or improvements	678
Refunds, reimbursements, and other recoveries	41
	<b>\$3,318</b>

Note 14 - The subtraction of \$4,390 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.

Pinal County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009  
(Amounts in thousands)

Note 15 - The subtraction of \$21,401 and \$16,905 in the Governmental Funds and Internal Service Fund, respectively, for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts, the Municipal Property Corporation, the Maricopa Road Public Improvement 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 Fund categories in the fund financial statements:

	Governmental Funds	Internal Service Fund
<b>Special Assessment Districts</b>		
General government	\$ 17	
Highways and streets	1,686	
Health	7,473	
Sanitation	7	
Culture and recreation	<u>2,095</u>	
Total	<u>\$11,278</u>	
<b>Municipal Property Corporation</b>		
Principal retirement	\$ 5,720	
Interest	4,392	
Capital outlay	1	
Miscellaneous	<u>8</u>	
Total	<u>\$10,121</u>	
<b>Maricopa Road Public Improvement Corporation</b>		
Miscellaneous	\$ 2	
<b>Employee Benefit Trust</b>		
Total	<u>\$21,401</u>	<u>\$16,905</u>

Note 16 - 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 a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 17 - The addition of \$4,854 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.

