

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2013

Pinal County
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2013

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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 for the year ended June 30, 2013. This report is the responsibility of the County's management. 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Pinal County referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Walker & Armstrong LLP

Phoenix, Arizona
April 25, 2014

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2013
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 222,346
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>132,465</u>
3. Amount under (in excess of) the expenditure limitation	<u>\$ 89,881</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: April 25, 2014

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2013
(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. Amounts reported on the Reconciliation, Line D	\$ 220,415	\$ 2,080	-	\$ 633,396	\$ 855,891
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	2,985	-	-	-	2,985
Debt service requirements on other long-term obligations (Note 3)	9,817	-	-	-	9,817
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	78	4	-	-	82
Trustee or custodian (Note 5)	3,200	-	-	633,396	636,596
Grants and aid from the federal government (Note 6)	14,785	596	-	-	15,381
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	168	-	-	-	168
Amounts received from the State of Arizona (Note 6)	13,764	24	-	-	13,788
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8)	6,440	-	-	-	6,440
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	8,859	-	-	-	8,859
Contracts with other political subdivisions (Notes 6 and 9)	17,347	-	-	-	17,347
Refunds, reimbursements, and other recoveries (Note 10)	2,751	57	-	-	2,808
Amounts received for distribution to school districts (Notes 6 and 11)	5,528	-	-	-	5,528
Prior years carryforward (Note 12)	3,627	-	-	-	3,627
Total exclusions claimed	<u>89,349</u>	<u>681</u>	<u>-</u>	<u>633,396</u>	<u>723,426</u>
C. Amounts subject to the expenditure limitation	<u>\$ 131,066</u>	<u>\$ 1,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,465</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2013
(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-based financial statements	\$ 252,148	\$ 1,419	\$ 16,921	\$ 633,396	\$ 903,884
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	177	-	-	177
Loss on disposal of capital assets	-	56	-	-	56
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 13)	16,651	-	16,921	-	33,572
Long-term care contributions withheld by the State Treasurer (Note 14)	15,082	-	-	-	15,082
Total subtractions	<u>31,733</u>	<u>233</u>	<u>16,921</u>	<u>-</u>	<u>48,887</u>
C. Additions:					
Acquisition of capital assets	<u>-</u>	<u>894</u>	<u>-</u>	<u>-</u>	<u>894</u>
Total additions	<u>-</u>	<u>894</u>	<u>-</u>	<u>-</u>	<u>894</u>
D. Amounts reported on Part II, Line A	<u>\$ 220,415</u>	<u>\$ 2,080</u>	<u>\$ -</u>	<u>\$ 633,396</u>	<u>\$ 855,891</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(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 §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, Expenditures, 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

Note 2 - The exclusion claimed of \$2,985 for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal and interest payments on outstanding bonds.

Note 3 - The exclusion of \$9,817 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.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$78 in the Governmental Funds and \$4 in the Enterprise Funds consists of expenditures of investment earnings. Of the \$360 of investment earnings reported in the Governmental Funds, \$48 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 \$7 is already included as an exclusion for amounts received for distribution to school districts (see Note 11). Remaining revenues of \$227 in the Governmental Funds and \$3 in the Enterprise Funds have been carried forward to future years.

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$3,200 in contributions by the County 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 \$633,396 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in thousands)

Note 6 - 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, and contracts with other political subdivisions:

Description	<u>Governmental Funds</u>
Grants and aid from the federal government	\$ 14,785
Amounts received from the State of Arizona	13,764
Highway user revenues in excess of those received in fiscal year 1979-80	8,859
Amounts received for distribution to school districts	2,352
Contracts with other political subdivisions	4,819
Other revenues (nonexcludable)	43,033
Amount carried forward	3,646
Total intergovernmental revenues as reported in the fund-based financial statements	<u>\$ 91,258</u>

The exclusions claimed for grants and aid from the federal government of \$596 in the Enterprise Funds was reported as intergovernmental revenues. The exclusion claimed of \$24 from the State in the Enterprise Funds was reported as intergovernmental revenues. Remaining amounts of \$5 from the federal government in the Enterprise Funds have been carried forward to future years.

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 amounts of \$539 have been carried forward to future years.

Note 8 - The \$6,440 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 9 - The exclusion claimed for contracts with other political subdivisions of \$17,347 in the Governmental Funds consists of charges for services and intergovernmental revenues expended. Remaining excludable revenues in the Governmental Funds of \$3,456 have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013

(Amounts in thousands)

Note 10 - The \$2,751 exclusion claimed in the Governmental Funds and \$57 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 as revenues in the Attorney Fund (County Anti-Racketeering). Such items are recorded as fines and forfeitures (\$2,011), miscellaneous revenues (\$187) and other financing uses (\$610) in the financial statements. Remaining excludable miscellaneous revenues of \$23 and remaining Attorney RICO revenues of \$258 in the Governmental Funds have been carried forward to future years.

Note 11 - 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 12 - 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	\$ 3,469
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	158
	\$ 3,627

Note 13 - The subtraction of \$16,651 and \$16,921 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 Fund categories in the fund financial statements:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013
(Amounts in thousands)

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General Government	\$ 1,122	
Highways and streets	3,717	
Health	5,003	
Sanitation	4	
Culture and recreation	1,828	
Total	\$ 11,674	
Municipal Property Corporations		
Principal retirement	2,095	
Interest	2,880	
Other	2	
Total	\$ 4,977	
Employee Benefit Trust	-	\$ 16,921
Total	\$ 16,651	\$ 16,921

Note 14 - 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.