

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2014

Pinal County
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2014

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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, 2014. 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
May 14, 2015

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2014
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 229,025
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>139,907</u>
3. Amount under (in excess of) the expenditure limitation	<u>\$ 89,118</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: 7/24/2015

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2014
(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	\$ 214,833	\$ 1,961	-	\$ 568,926	\$ 785,720
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	3,258	-	-	-	3,258
Debt service requirements on other long-term obligations (Note 3)	8,860	-	-	-	8,860
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	96	-	-	-	96
Trustee or custodian (Note 5)	3,207	-	-	568,926	572,133
Grants and aid from the federal government (Note 6)	11,238	115	-	-	11,353
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	216	-	-	-	216
Amounts received from the State of Arizona (Note 6)	14,905	271	-	-	15,176
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8)	3,117	-	-	-	3,117
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	10,841	-	-	-	10,841
Contracts with other political subdivisions (Notes 6 and 9)	14,621	-	-	-	14,621
Refunds, reimbursements, and other recoveries (Note 10)	1,076	8	-	-	1,084
Amounts received for distribution to school districts (Notes 6 and 11)	5,058	-	-	-	5,058
Total exclusions claimed	<u>76,493</u>	<u>394</u>	<u>-</u>	<u>568,926</u>	<u>645,813</u>
C. Amounts subject to the expenditure limitation	<u>\$ 138,340</u>	<u>\$ 1,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,907</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2014
(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	\$ 247,104	\$ 2,098	\$ 17,685	\$ 568,926	\$ 835,813
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	172	-	-	172
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 12)	17,024	-	17,685	-	34,709
Long-term care contributions withheld by the State Treasurer (Note 13)	15,247	-	-	-	15,247
Total subtractions	<u>32,271</u>	<u>172</u>	<u>17,685</u>	<u>-</u>	<u>50,128</u>
C. Additions:					
Acquisition of capital assets	-	35	-	-	35
Total additions	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
D. Amounts reported on Part II, Line A	<u>\$ 214,833</u>	<u>\$ 1,961</u>	<u>\$ -</u>	<u>\$ 568,926</u>	<u>\$ 785,720</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(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 Funds

Note 2 - The exclusion claimed of \$3,258 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 \$8,860 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 \$96 in the Governmental Funds consists of expenditures of investment earnings. Of the \$434 of investment earnings reported in the Governmental Funds, \$56 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 \$275 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 \$3,207 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 \$568,926 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(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</u>
Grants and aid from the federal government	\$ 11,238
Amounts received from the State of Arizona	14,905
Highway user revenues in excess of those received in fiscal year 1979-80	10,841
Amounts received for distribution to school districts	1,962
Contracts with other political subdivisions	810
Other revenues (nonexcludable)	49,536
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 89,292</u>

The exclusions claimed for grants and aid from the federal government of \$115 in the Enterprise Funds was reported as intergovernmental revenues. The exclusion claimed of \$271 from the State in the Enterprise Funds was reported as 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 amounts of \$3 have been carried forward to future years.

Note 8 - The \$3,117 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 \$14,621 in the Governmental Funds consists of charges for services and intergovernmental revenues expended. Remaining excludable revenues in the Governmental Funds of \$15 have been carried forward to future years.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(Amounts in thousands)

Note 10 - The \$1,076 exclusion claimed in the Governmental Funds and \$8 in the Enterprise 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 (\$206) and other financing uses (\$870) in the financial statements. Remaining excludable insurance reimbursements of \$812 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 - The subtraction of \$17,024 and \$17,685 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:

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General Government	\$ 1,103	
Highways and streets	4,208	
Health	4,847	
Sanitation	26	
Culture and recreation	1,866	
Total	\$ 12,050	
Municipal Property Corporations		
Principal retirement	2,185	
Interest	2,787	
Other	2	
Total	\$ 4,974	
Employee Benefit Trust	-	\$ 17,685
Total	\$ 17,024	\$ 17,685

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014
(Amounts in thousands)

Note 13 - 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.