

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2018

Pinal County, Arizona
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2018

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CliftonLarsonAllen LLP
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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, Arizona (County), for the year ended June 30, 2018, and related notes to the report. The County's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the UERS in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Pinal County, Arizona, referred to above, is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 11, 2019

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2018
(Amounts in thousands)

| | | |
|--|-----------|----------------|
| 1. Economic Estimates Commission expenditure limitation | \$ | 252,171 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | | <u>144,698</u> |
| 3. Amount under (in excess of) the expenditure limitation | <u>\$</u> | <u>107,473</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: (Signature removed for website presentation)

Name and Title: Levi D. Gibson, Finance Director

Telephone Number: (520) 866-6404 Date: April 11, 2019

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2018
(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 | \$ 256,134 | \$ 845 | 20,466 | \$ 610,601 | \$ 888,046 |
| B. Less exclusions claimed: | | | | | |
| Debt service requirements (Note 2) | 17,773 | - | - | - | 17,773 |
| Dividends, interest, and gains on the sale or redemption of investment securities (Note 3) | 204 | - | - | - | 204 |
| Trustee or custodian (Note 4) | 3,235 | - | - | 610,601 | 613,836 |
| Grants and aid from the federal government (Note 5) | 14,330 | - | - | - | 14,330 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6) | 5,062 | - | - | - | 5,062 |
| Amounts received from the State of Arizona (Note 5) | 18,732 | 15 | - | - | 18,747 |
| Quasi-external interfund transactions (Note 15) | - | - | 19,606 | - | 19,606 |
| Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 7) | 5,423 | - | - | - | 5,423 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5) | 19,946 | - | - | - | 19,946 |
| Contracts with other political subdivisions (Notes 5 and 8) | 2,035 | - | - | - | 2,035 |
| Refunds, reimbursements, and other recoveries (Note 10) | 1,588 | - | - | - | 1,588 |
| Amounts received for distribution to school districts (Notes 5 and 9) | 5,245 | - | - | - | 5,245 |
| Prior years carryforward (Note 14) | 19,553 | - | - | - | 19,553 |
| Total exclusions claimed | <u>113,126</u> | <u>15</u> | <u>19,606</u> | <u>610,601</u> | <u>743,348</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 143,008</u> | <u>\$ 830</u> | <u>\$ 860</u> | <u>\$ -</u> | <u>\$ 144,698</u> |

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2018
(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 | \$ 289,670 | \$ 1,068 | \$ 20,450 | \$ 610,601 | \$ 921,789 |
| B. Subtractions: | | | | | |
| Items not requiring use of current financial resources: | | | | | |
| Depreciation | - | 277 | - | - | 277 |
| Pension expense (Note 12) | - | (26) | (3) | - | (29) |
| Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 11) | 17,731 | - | - | - | 17,731 |
| Long-term care contributions the State Treasurer withheld (Note 13) | 15,344 | - | - | - | 15,344 |
| Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception | 461 | - | - | - | 461 |
| Total subtractions | <u>33,536</u> | <u>251</u> | <u>(3)</u> | <u>-</u> | <u>33,784</u> |
| C. Additions: | | | | | |
| Pension contributions paid in the current year (Note 12) | - | 28 | 13 | - | 41 |
| Total additions | <u>-</u> | <u>28</u> | <u>13</u> | <u>-</u> | <u>41</u> |
| D. Amounts reported on Part II, Line A | <u>\$ 256,134</u> | <u>\$ 845</u> | <u>\$ 20,466</u> | <u>\$ 610,601</u> | <u>\$ 888,046</u> |

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2018
(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 (A.R.S.) §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, Expenses, 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 for debt service requirements of \$17,773 in the Governmental Funds consists of principal payments of \$10,884 and interest payments of \$6,889.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$204 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$750 in the Governmental Funds, \$81 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. An additional \$11 is already included as an exclusion for amounts received for distribution to school districts (see Note 9). Remaining revenues of \$454 in the Governmental Funds have been carried forward to future years.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$3,235 consists of county contributions 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 \$610,601 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017
(Amounts in thousands)

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, amounts received for distribution to school districts, and contracts with other political subdivisions. The amounts excluded do not exceed expenditures of such revenues.

| <u>Description</u> | <u>Amount</u> |
|---|-------------------|
| Grants and aid from the federal government | \$ 14,330 |
| Amounts received from the State of Arizona | 18,732 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 19,946 |
| Contracts with other political subdivisions | 2,035 |
| Amounts received for distribution to school districts | 2,268 |
| Other revenues (nonexcludable) | 47,516 |
| Total intergovernmental revenues as reported in the governmental fund financial statements | <u>\$ 104,827</u> |

| <u>Description</u> | <u>Amount</u> |
|--|---------------|
| Amounts received from the State of Arizona | \$ 15 |
| Total intergovernmental revenues as reported in the proprietary fund financial statements | <u>\$ 15</u> |

Note 6 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$5,062 in the Governmental Funds, consists of contributions revenue expended.

Note 7 - The \$5,423 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 8 - The exclusion claimed of \$2,035 in the Governmental Funds consists of intergovernmental services expended. These services include early voting and boarding of prisoners for other governments.

Note 9 - The exclusion claimed of \$5,245 for amounts received for distribution to school districts consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017
(Amounts in thousands)

Note 10 - The \$1,588 exclusion claimed in the Governmental 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 (\$1,564) and other financing sources (\$24) in the financial statements.

Note 11 - The subtraction of \$17,731 in the Governmental Funds, for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts 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 categories in the fund financial statements:

| | Governmental Funds |
|-------------------------------------|-----------------------|
| Special Assessment Districts | |
| General Government | \$ 1 |
| Highways and streets | \$ 7,201 |
| Health | 8,219 |
| Sanitation | 3 |
| Culture and recreation | 2,307 |
| Total | \$ 17,731 |

Note 12 - The subtraction of (\$29) for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise/Internal Service Funds. The addition of \$41 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise/Internal Service Funds.

Note 13 - The subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes withheld 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 14 - 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:

| | Governmental Funds |
|---|-----------------------|
| Description | |
| Debt Proceeds | \$ 19,553 |
| Total prior years carryforward expended | \$ 19,553 |

Note 15 - The exclusion claimed for quasi-external interfund transactions in the internal service fund includes employer and employees' medical contributions for health and other insurance. These expenditures are recorded as medical claims and services in the internal service fund.