

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2015

Pinal County
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2015

Table of Contents

Independent Accountants' Report.....	1
Annual Expenditure Limitation Report - Part I.....	2
Annual Expenditure Limitation Report - Part II.....	3
Annual Expenditure Limitation Report - Reconciliation	4
Notes to Annual Expenditure Limitation Report	5 - 8



Walker & Armstrong LLP

CERTIFIED PUBLIC ACCOUNTANTS

3838 North Central Avenue
Suite 1700
Phoenix, Arizona 85012
602.230.1040
602.230.1065 (Fax)

www.wa-cpas.com

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, 2015. 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.

Phoenix, Arizona
June 24, 2016

**Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2015
(Amounts in thousands)**

1. Economic Estimates Commission expenditure limitation	\$ 229,554
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>146,284</u>
3. Amount under (in excess of) the expenditure limitation	<u>\$ 83,270</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: 9/30/2016

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2015
(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	\$ 260,507	\$ 1,572	272	\$ 550,169	\$ 812,520
B. Less exclusions claimed:					
Bond proceeds (Note 2)	50,158	-	-	-	50,158
Debt service requirements on bonded indebtedness (Note 3)	6,700	-	-	-	6,700
Debt service requirements on other long-term obligations (Note 4)	3,372	-	-	-	3,372
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	181	-	-	-	181
Trustee or custodian (Note 6)	3,213	-	-	550,169	553,382
Grants and aid from the federal government (Note 7)	10,911	78	-	-	10,989
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	1,293	-	-	-	1,293
Amounts received from the State of Arizona (Note 7)	14,800	64	-	-	14,864
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	5,684	-	-	-	5,684
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	10,585	-	-	-	10,585
Contracts with other political subdivisions (Notes 7 and 10)	1,483	-	-	-	1,483
Refunds, reimbursements, and other recoveries (Note 12)	2,225	-	-	-	2,225
Amounts received for distribution to school districts (Notes 7 and 11)	5,115	-	-	-	5,115
Prior years carryforward (Note 16)	205	-	-	-	205
Total exclusions claimed	<u>115,925</u>	<u>142</u>	<u>-</u>	<u>550,169</u>	<u>666,236</u>
C. Amounts subject to the expenditure limitation	<u>\$ 144,582</u>	<u>\$ 1,430</u>	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ 146,284</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2015
(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	\$ 345,970	\$ 1,895	\$ 19,924	\$ 550,169	\$ 917,958
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	326	-	-	326
Pension expense (Note 14)	-	26	350	-	376
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 13)	70,169	-	19,317	-	89,486
Long-term care contributions withheld by the State Treasurer (Note 15)	15,294	-	-	-	15,294
Total subtractions	<u>85,463</u>	<u>352</u>	<u>19,667</u>	<u>-</u>	<u>105,482</u>
C. Additions:					
Pension contributions paid in the current year (Note 14)	-	29	15	-	44
Total additions	<u>-</u>	<u>29</u>	<u>15</u>	<u>-</u>	<u>44</u>
D. Amounts reported on Part II, Line A	<u>\$ 260,507</u>	<u>\$ 1,572</u>	<u>\$ 272</u>	<u>\$ 550,169</u>	<u>\$ 812,520</u>

See accompanying notes to report.

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, 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 of \$50,158 claimed for bond proceeds in the Governmental Funds consists of revenue bond proceeds spent for construction and taxable and tax-exempt revenue bond proceeds used for the County's COP Series 2004. Remaining balance of unspent revenue bond proceeds of \$105,278 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$6,700 in the Governmental Funds consists of principal and interest payments of \$2,585 and \$4,115, respectively.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$3,372 in the Governmental Funds consists of principal and interest payments of \$1,954 and \$1,418, respectively.

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$181 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$574 in the Governmental Funds, \$72 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. An additional \$6 is already included as an exclusion for amounts received for distribution to school districts (see Note 11). Remaining revenues of \$315 in the Governmental Funds have been carried forward to future years.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds of \$3,213 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 \$550,169 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in thousands)

Note 7 - 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, contracts with other political subdivisions in the Governmental Funds. The amounts excluded do not exceed expenditures of such revenues.

Description	Amount
Grants and aid from the federal government	\$ 10,911
Amounts received from the State of Arizona	14,800
Highway user revenues in excess of those received in fiscal year 1979-80	10,585
Amounts received for distribution to school districts	1,761
Contracts with other political subdivisions	10
Other revenues (nonexcludable)	56,431
Amount intergovernmental revenue carried forward	16
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 94,514</u>

The exclusions claimed for grants and aid from the federal government of \$78 in the Enterprise Funds was reported as intergovernmental revenues in the proprietary fund financial statements. The exclusion claimed of \$64 from the State of Arizona in the Enterprise Funds was reported as intergovernmental revenues in the proprietary fund financial statements.

Note 8 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$1,293 in the Governmental Funds, consists of contributions revenue expended. Remaining amounts of \$79 have been carried forward to future years.

Note 9 - The \$5,684 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 10 - The exclusion claimed for contracts with other political subdivisions of \$1,483 in the Governmental Funds consists of \$1,473 reported as charges for services expended and \$10 reported as intergovernmental revenues. Remaining excludable revenues in the Governmental Funds of \$16 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.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in thousands)

Note 12 - The \$2,225 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 (\$100) and other financing sources (\$2,125) in the financial statements. Remaining excludable miscellaneous revenues of \$17 in the Governmental Funds have been carried forward to future years.

Note 13 - The subtraction of \$70,169 and \$19,317 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	\$ 718	
Highways and streets	4,811	
Health	6,125	
Sanitation	1	
Culture and recreation	1,372	
Total	\$ 13,027	
Municipal Property Corporations		
Principal retirement	54,620	
Interest	2,520	
Other	2	
Total	\$ 57,142	
Employee Benefit Trust	-	\$ 19,317
Total	\$ 70,169	\$ 19,317

Note 14 - The subtraction of \$376 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 \$33 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. The addition of \$11 for pension contributions paid in the current year consists of the required pension contributions made to the Correction Officers Retirement Plan from the Enterprise Funds.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Amounts in thousands)

Note 15 - 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 16 - 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
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	\$ 205
Total prior years carryforward expended	\$ 205