



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2006

| Table of Contents | Page |
|---|------|
| Independent Auditors' 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 |



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
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, 2006. 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, 2006, 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 and the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

September 21, 2007

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2006
(Amounts expressed in thousands)

| | |
|---|----------------|
| 1. Economic Estimates Commission expenditure limitation | \$107,233 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | <u>107,232</u> |
| 3. Amount under the expenditure limitation | <u>\$ 1</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: _____

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2006
(Amounts expressed 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 | \$ 179,880 | \$ 50,806 | \$ 435 | \$ 503,997 | \$ 735,118 |
| B. Less exclusions claimed: | | | | | |
| Proceeds from other long-term obligations (Note 2) | 17,744 | | | | 17,744 |
| Debt service requirements on other long-term obligations (Note 3) | 1,350 | 4 | 12 | | 1,366 |
| Trustee or custodian (Note 4) | 2,716 | | | 503,997 | 506,713 |
| Grants and aid from the federal government (Note 5) | 12,351 | | | | 12,351 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6) | 239 | | | | 239 |
| Amounts received from the State of Arizona (Note 5) | 12,235 | 39 | | | 12,274 |
| Quasi-external interfund transactions (Note 7) | | 4,361 | 379 | | 4,740 |
| Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8) | 5,319 | | | | 5,319 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5) | 11,245 | | | | 11,245 |
| Contracts with other political subdivisions (Note 9) | 7,097 | 39,720 | | | 46,817 |
| Amounts received for distribution to school districts (Notes 5 and 10) | 7,716 | | | | 7,716 |
| Prior years carryforward (Note 11) | <u> </u> | <u>1,362</u> | <u> </u> | <u> </u> | <u>1,362</u> |
| Total exclusions claimed | <u>78,012</u> | <u>45,486</u> | <u>391</u> | <u>503,997</u> | <u>627,886</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 101,868</u> | <u>\$ 5,320</u> | <u>\$ 44</u> | <u>\$ -</u> | <u>\$ 107,232</u> |

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2006
(Amounts expressed 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-based financial statements | \$ 247,503 | \$ 50,988 | \$ 459 | \$ 503,997 | \$ 802,947 |
| B. Subtractions: | | | | | |
| Items not requiring use of working capital: | | | | | |
| Depreciation | | 231 | 24 | | 255 |
| Loss on disposal of capital assets | | 10 | | | 10 |
| Claims incurred but not reported (Note 12) | | 3,875 | | | 3,875 |
| Expenditures of separate legal entities established under Arizona Revised Statutes (Note 13) | 56,154 | | | | 56,154 |
| Long-term care contributions withheld by the State Treasurer (Note 14) | 9,677 | | | | 9,677 |
| Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements | 1,096 | | | | 1,096 |
| Involuntary court judgments or involuntary settlements (Note 15) | 696 | | | | 696 |
| Total subtractions | <u>67,623</u> | <u>4,116</u> | <u>24</u> | <u>-</u> | <u>71,763</u> |
| C. Additions: | | | | | |
| Acquisition of capital assets | | 213 | | | 213 |
| Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16) | | 3,721 | | | 3,721 |
| Total additions | | <u>3,934</u> | <u>-</u> | | <u>3,934</u> |
| D. Amounts reported on Part II, Line A | <u>\$ 179,880</u> | <u>\$ 50,806</u> | <u>\$ 435</u> | <u>\$ 503,997</u> | <u>\$ 735,118</u> |

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts expressed 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 of \$17,744 claimed for proceeds from other long-term obligations in the Governmental Funds consists of expenditures made from loan proceeds of \$63,220 reported as loan issued and \$1,666 reported as premium on new debt issued. Remaining amounts of \$47,142 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 \$10 of general government, \$19 of public safety, \$541 of highways and streets, \$5 of health, and \$775 of debt service expenditures in the Governmental Funds. In the Enterprise Funds and Internal Service Fund, the \$4 and \$12, respectively, consist of capital lease payments reported as operating expenses.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,716 in contributions by the County to the Arizona Health Care Cost Containment System for acute care.

Note 5 - 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, and amounts received for distribution to school districts:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts expressed in thousands)

| Description | |
|--|-----------------|
| Grants and aid from the federal government | \$12,351 |
| Amounts received from the State of Arizona | 12,235 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 11,245 |
| Amounts received for distribution to school districts | 7,716 |
| Other revenues—(nonexcludable) | 37,240 |
| Amount carried forward | <u>2,177</u> |
| Total intergovernmental revenues as reported in the fund financial statements | <u>\$82,964</u> |

Note 6 - The \$239 exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual in the Governmental Funds consists of contributions revenue expended.

Note 7 - The exclusion claimed for quasi-external interfund transactions of \$4,361 in the Enterprise Funds consists of \$4,104 of 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 \$257 in allocated administrative costs. These exclusions are reported as a long-term healthcare expense in the Enterprise Funds. The exclusion of \$379 in the Internal Service Fund consists of expended charges for services revenues of \$350 and \$29 from the Governmental Funds and Enterprise Funds, respectively.

Note 8 - The \$5,319 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 9 - The exclusion claimed for contracts with other political subdivisions of \$7,097 in the Governmental Funds and \$39,720 in the Enterprise Funds consists of charges for services revenues expended. Remaining excludable revenues of \$1,192 in the Governmental Funds have been carried forward to future years.

Note 10 - The exclusion claimed for amounts received for distribution to school districts consists of federal, state, and county revenues and investment income recorded as education expenditures for operating an accommodation school.

Note 11 - Prior years carryforward consists of constitutionally excludable Long-Term Care Fund revenues of \$1,362 unexpended in the year of receipt that have been accumulated and were expended in the current year.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2006
(Amounts expressed in thousands)

Note 12 - The subtraction of \$3,875 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.

Note 13 - The subtraction of \$56,154 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations 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 category in the fund financial statements:

Special Assessment Districts

| | |
|------------------------|-----------------|
| General government | \$ 23 |
| Highways and streets | 1,094 |
| Sanitation | 17 |
| Culture and recreation | 677 |
| Principal retirement | 1,125 |
| Interest | <u>96</u> |
| Total | <u>\$ 3,032</u> |

Municipal Property Corporations

| | |
|----------------------|-----------------|
| Principal retirement | \$ 4,110 |
| Interest | 4,918 |
| Capital outlay | <u>44,094</u> |
| Total | <u>\$53,122</u> |

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.

Note 15 - The subtraction of \$696 for involuntary court judgments or involuntary settlements in the Governmental Funds are payments made for court judgments against Pinal County that were incurred losses paid in the current year.

Note 16 - The addition of \$3,721 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.