

Pinal County, Arizona

Report on Audit of
Annual Expenditure Limitation Report

Year Ended June 30, 2012

Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2012

Table of Contents

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 - 8

Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Pinal County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Pinal County, Arizona for the year ended June 30, 2012. This report is the responsibility of Pinal County, Arizona'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, Arizona for the year ended June 30, 2012, 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, the Board of Supervisors, management, and others within Pinal County, Arizona, 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.

Walker & Armstrong LLP

Phoenix, Arizona
February 18, 2013

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2012
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 212,666
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>130,384</u>
3. Amount under (in excess of) the expenditure limitation	<u><u>\$ 82,282</u></u>

Signature of Chief Fiscal Officer:

Name and Title: Yiannis Kalaitzidis, Finance Director

Telephone Number: (520) 866-6255

Date: February 18, 2013

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2012
(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	\$ 216,908	\$ 23,980	\$ -	\$ 638,334	\$ 879,222
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	1,464	-	-	-	1,464
Debt service requirements on other long-term obligations (Note 3)	10,315	359	-	-	10,674
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	126	30	-	-	156
Trustee or custodian (Note 5)	5,459	-	-	638,334	643,793
Grants and aid from the federal government (Note 6)	10,667	47	-	-	10,714
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	131	-	-	-	131
Amounts received from the State of Arizona (Note 6)	14,084	60	-	-	14,144
Quasi-external interfund transactions (Note 8)	-	1,985	-	-	1,985
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	3,957	-	-	-	3,957
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	9,188	-	-	-	9,188
Contracts with other political subdivisions (Notes 6 and 10)	23,005	13,633	-	-	36,638
Refunds, reimbursements, and other recoveries (Note 11)	1,583	5	-	-	1,588
Amounts received for distribution to school districts (Notes 6 and 12)	5,837	-	-	-	5,837
Prior years carryforward (Note 13)	8,569	-	-	-	8,569
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total exclusions claimed	94,385	16,119	-	638,334	748,838
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C. Amounts subject to the expenditure limitation	\$ 122,523	\$ 7,861	\$ -	\$ -	\$ 130,384

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2012
(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	\$ 249,139	\$ 19,821	\$ 18,008	\$ 638,334	\$ 925,302
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation	-	283	-	-	283
Loss on disposal of capital assets	-	92	-	-	92
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 14)	16,544	-	18,008	-	34,552
Long-term care contributions withheld by the State Treasurer (Note 15)	15,687	-	-	-	15,687
Total subtractions	<u>32,231</u>	<u>375</u>	<u>18,008</u>	<u>-</u>	<u>50,614</u>
C. Additions:					
Principal payments on long-term debt (Note 16)	-	285	-	-	285
Acquisition of capital assets	-	280	-	-	280
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 17)	-	3,969	-	-	3,969
Total additions	<u>-</u>	<u>4,534</u>	<u>-</u>	<u>-</u>	<u>4,534</u>
D. Amounts reported on Part II, Line A	<u>\$ 216,908</u>	<u>\$ 23,980</u>	<u>\$ -</u>	<u>\$ 638,334</u>	<u>\$ 879,222</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts expressed in thousands)

Note 1 Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report is presented on the basis of accounting prescribed by the uniform expenditure reporting system, 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 reporting requirements, a note to the report 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 claimed of \$1,464 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 \$10,315 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. In the Enterprise Funds, the \$359 consists of principal and interest payments on capital lease obligations and loans payable.

Note 4 The exclusion claimed for dividends, interest and gains on the sale or redemption of investment securities of \$126 in the Governmental Funds and \$30 in the Enterprise Funds consists of expenditures of investment earnings. Of the \$690 of investment earnings reported in the Governmental Funds, \$97 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 \$14 is already included as an exclusion for amounts received for distribution to school districts (see Note 12). Remaining revenues of \$453 in the Governmental Funds and \$7 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 \$2,862 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; \$2,597 transferred to the State Treasurer for deposit in the State General Fund; and in the Fiduciary Funds, the exclusion consists of \$638,334 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts expressed in thousands)

Note 6 The following schedule presents Governmental Fund 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	Governmental Funds
Grants and aid from the federal government	\$ 10,667
Amounts received from the State of Arizona	14,084
Highway user revenues in excess of those received in fiscal year 1979-80	9,188
Amounts received for distribution to school districts	2,210
Contracts with other political subdivisions	5,045
Other revenues (nonexcludable)	48,694
Amount carried forward	2,040
Total intergovernmental revenues as reported in the fund-based financial statements	<u>\$ 91,928</u>

The exclusion claimed for grants and aid from the federal government of \$47 in the Enterprise Funds was reported as intergovernmental revenues. The exclusion claimed of \$60 from the State of Arizona in the Enterprise Funds was reported as intergovernmental revenues. Remaining amounts of \$7 from the State of Arizona 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 \$168 have been carried forward to future years.

Note 8 The total exclusion claimed for quasi-external interfund transactions of \$1,985 in the Enterprise Funds consists of medical services provided to members of the Pinal County Long-Term Health Care Plan provided by Pinal County Horizon Home Care.

Note 9 The \$3,957 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.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012
(Amounts expressed in thousands)

Note 10 The exclusion claimed for contracts with other political subdivisions of \$23,005 in the Governmental Funds consists of charges for services and intergovernmental revenues expended. Remaining excludable revenues in the Governmental Funds totaling \$88 have been carried forward to future years. \$13,633 in the Enterprise Funds consists of charges for services expended.

Note 11 The \$1,583 exclusion claimed in the Governmental Funds and \$5 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 (\$1,378), miscellaneous revenues (\$123) and other financing uses (\$87) in the financial statements. Remaining excludable miscellaneous revenues totaling \$29 in the Governmental Funds have been carried forward to future years.

Note 12 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 13 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	\$ 7,583
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	82
Refunds, reimbursements, and other recoveries	904
	\$ 8,569

Note 14 The subtraction of \$16,544 and \$18,008 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, 2012
(Amounts expressed in thousands)

	Governmental Funds	Internal Service Funds
Special Assessment Districts		
General Government	\$ 811	
Highways and streets	2,573	
Health	5,393	
Sanitation	176	
Culture and recreation	1,834	
Total	\$ 10,787	
Municipal Property Corporations		
Principal retirement	\$ 2,785	
Interest	2,970	
Other	2	
Total	\$ 5,757	
Employee Benefit Trust	-	\$ 18,008
Total	\$ 16,544	\$ 18,008

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 The addition of \$285 for principal payment on long-term debt in the Enterprise Funds consists of \$34 for capital lease payments and \$251 for a loan payment (see page 27 of the County's comprehensive annual financial report).

Note 17 The addition of \$3,969 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.