



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Pinal County

Year Ended June 30, 2005



Debra K. Davenport
Auditor General

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Pinal County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2005

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
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, 2005. 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, 2005, 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

November 17, 2006

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2005

1. Economic Estimates Commission expenditure limitation	\$96,006,792
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>96,006,791</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, 2005

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	\$ 147,480,104	\$ 45,525,689	\$ 451,196	\$ 410,552,418	\$ 604,009,407
B. Less exclusions claimed:					
Debt service requirements on other long-term obligations (Note 2)	1,066,902	4,406	5,727		1,077,035
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	838,978	124,123			963,101
Trustee or custodian (Note 4)	2,715,600			410,552,418	413,268,018
Grants and aid from the federal government (Note 5)	12,425,584				12,425,584
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	115,057				115,057
Amounts received from the State of Arizona (Note 5)	9,143,076	38,488			9,181,564
Quasi-external interfund transactions (Note 7)		3,928,551	410,817		4,339,368
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 8)	4,270,984				4,270,984
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	11,420,520				11,420,520
Contracts with other political subdivisions (Note 9)	1,227,894	35,917,352			37,145,246
Amounts received for distribution to school districts (Note 10)	7,570,913				7,570,913
Prior years carryforward (Note 11)	<u>6,225,226</u>				<u>6,225,226</u>
Total exclusions claimed	<u>57,020,734</u>	<u>40,012,920</u>	<u>416,544</u>	<u>410,552,418</u>	<u>508,002,616</u>
C. Amounts subject to the expenditure limitation	<u>\$ 90,459,370</u>	<u>\$ 5,512,769</u>	<u>\$ 34,652</u>	<u>\$ -</u>	<u>\$ 96,006,791</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2005

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 financial statements	\$ 188,035,093	\$ 45,371,964	\$ 441,831	\$ 410,552,418	\$ 644,401,306
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		102,899	16,670		119,569
Claims incurred but not reported (Note 12)		3,720,626			3,720,626
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 13)	30,600,309				30,600,309
Long-term care contributions withheld by the State Treasurer (Note 14)	8,974,586				8,974,586
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>980,094</u>				<u>980,094</u>
Total subtractions	<u>40,554,989</u>	<u>3,823,525</u>	<u>16,670</u>		<u>44,395,184</u>
C. Additions:					
Acquisition of capital assets		545,817	26,035		571,852
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)		<u>3,431,433</u>			<u>3,431,433</u>
Total additions		<u>3,977,250</u>	<u>26,035</u>		<u>4,003,285</u>
D. Amounts reported on Part II, Line A	<u>\$ 147,480,104</u>	<u>\$ 45,525,689</u>	<u>\$ 451,196</u>	<u>\$ 410,552,418</u>	<u>\$ 604,009,407</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2005

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 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 \$801,703 of general government, \$10,864 of public safety, \$248,627 of highways and streets, and \$5,708 of health expenditures in the Governmental Funds. In the Enterprise Funds and Internal Service Fund, the \$4,406 and \$5,727, respectively, consist of capital lease payments reported as operating expenses.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$838,978 in the Governmental Funds and \$124,123 in the Enterprise Funds consists of expenditures of interest on investments. Of the remaining investment income in the Governmental Funds, \$802,598 is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations and, therefore, is not reported as an exclusion; and \$29,622 is already included as an exclusion for amounts received for distribution to school districts (see Note 10).

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$2,715,600 in county contributions 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, and highway user revenues:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2005

Description	
Grants and aid from the federal government	\$12,425,584
Amounts received from the State of Arizona	9,143,076
Highway user revenues in excess of those received in fiscal year 1979-80	11,420,520
Other revenues—(nonexcludable)	33,801,998
Amount carried forward	<u>434,285</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$67,225,463</u>

- Note 6 -** The \$115,057 exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual in the Governmental Funds consists of contributions revenue expended. Remaining excludable revenues of \$173,850 have been carried forward to future years.
- Note 7 -** The exclusion claimed for quasi-external interfund transactions of \$3,928,551 in the Enterprise Funds consists of \$3,671,501 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 \$257,050 in allocated administrative costs. These exclusions are reported as a long-term healthcare expense in the Enterprise Funds. The exclusion of \$410,817 in the Internal Service Fund consists of expended charges for services revenues of \$379,834 and \$30,983 from the Governmental Funds and Enterprise Funds respectively.
- Note 8 -** The \$4,270,984 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 \$1,227,894 in the Governmental Funds and \$35,917,352 in the Enterprise Funds consists of charges for services revenues expended. Remaining excludable revenues of \$321,123 in the Enterprise 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 revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2005

Description	Governmental Funds
Dividends, interest, and gains on the sale or redemption of investment securities	\$3,785,421
Grants and aid from the federal government	279,265
Amounts received from the State of Arizona	<u>2,160,540</u>
Total prior years carryforward expended	<u>\$6,225,226</u>

Note 12 - The subtraction of \$3,720,626 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 \$30,600,309 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	\$ 16,814
Highways and streets	715,424
Sanitation	105,575
Culture and recreation	649,010
Capital outlay	22,421,499
Principal retirement	1,075,000
Interest and fiscal charges	<u>139,994</u>

Total	<u>\$25,123,316</u>
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Municipal Property Corporations

General government	<u>\$ 5,476,993</u>
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Note 14 - The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2005

Note 15 - The addition of \$3,431,433 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.