

Pinal County, Arizona

Report on Examination of
Annual Expenditure Limitation Report

Year Ended June 30, 2016

Pinal County
Report on Examination of Annual Expenditure Limitation Report
Year Ended June 30, 2016

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Independent Accountants' Report

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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 (Pinal County) for the year ended June 30, 2016, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination 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 uniform expenditure reporting system 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 the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Walker & Armstrong, LLP

Phoenix, Arizona
October 5, 2017

Pinal County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2016
(Amounts in thousands)

1. Economic Estimates Commission expenditure limitation	\$ 235,389
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>168,998</u>
3. Amount under (in excess of) the expenditure limitation	<u>\$ 66,391</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: October 5, 2017

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2016
(Amounts in thousands)

<u>Description</u>	<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	\$ 241,258	\$ 3,138	19,072	\$ 608,144	\$ 871,612
B. Less exclusions claimed:					
Bond proceeds (Note 2)	13,519	-	-	-	13,519
Debt service requirements on bonded indebtedness (Note 3)	12,731	-	-	-	12,731
Debt service requirements on other long-term obligations (Note 4)	2,572	-	-	-	2,572
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	329	-	-	-	329
Trustee or custodian (Note 6)	3,221	-	-	608,144	611,365
Grants and aid from the federal government (Note 7)	14,262	-	-	-	14,262
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 8)	559	-	-	-	559
Amounts received from the State of Arizona (Note 7)	12,426	2,193	-	-	14,619
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	5,808	-	-	-	5,808
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 7)	19,294	-	-	-	19,294
Contracts with other political subdivisions (Notes 7 and 10)	1,447	-	-	-	1,447
Refunds, reimbursements, and other recoveries (Note 12)	1,357	-	-	-	1,357
Amounts received for distribution to school districts (Notes 7 and 11)	2,036	-	-	-	2,036
Prior years carryforward (Note 16)	2,716	-	-	-	2,716
Total exclusions claimed	<u>92,277</u>	<u>2,193</u>	<u>-</u>	<u>608,144</u>	<u>702,614</u>
C. Amounts subject to the expenditure limitation	<u>\$ 148,981</u>	<u>\$ 945</u>	<u>\$ 19,072</u>	<u>\$ -</u>	<u>\$ 168,998</u>

See accompanying notes to report.

Pinal County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2016
(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	\$ 270,303	\$ 3,480	\$ 18,363	\$ 608,144	\$ 900,290
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation	-	257	-	-	257
Pension expense (Note 14)	-	117	(181)	-	(64)
Expenditures of separate legal entities established under Arizona					
Revised Statutes (A.R.S.) (Note 13)	13,505	-	(517)	-	12,988
Long-term care contributions withheld by the State Treasurer (Note 15)	15,540	-	-	-	15,540
Total subtractions	<u>29,045</u>	<u>374</u>	<u>(698)</u>	<u>-</u>	<u>28,721</u>
C. Additions:					
Pension contributions paid in the current year (Note 14)	-	32	11	-	43
Total additions	<u>-</u>	<u>32</u>	<u>11</u>	<u>-</u>	<u>43</u>
D. Amounts reported on Part II, Line A	<u>\$ 241,258</u>	<u>\$ 3,138</u>	<u>\$ 19,072</u>	<u>\$ 608,144</u>	<u>\$ 871,612</u>

See accompanying notes to report.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2016
(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 §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 \$13,519 claimed for bond proceeds in the Governmental Funds consists of the Pledged Revenue Bonds Payable, Series 2014 proceeds spent for construction of various capital projects. The remaining balance of unspent revenue bond proceeds of \$44,512 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness of \$12,731 in the Governmental Funds consists of principal payments of \$5,545 and interest payments of \$7,186.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations of \$2,572 in the Governmental Funds consists of principal payments of \$2,277 and interest payments of \$295.

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$329 in the Governmental Funds consists of expended investment earnings. Of the total investment earnings revenues of \$957 in the Governmental Funds, \$109 was included in the amounts deducted on the Reconciliation as expenditures of separate legal entities. An additional \$14 is already included as an exclusion for amounts received for distribution to school districts (see Note 11). Remaining revenues of \$505 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 \$3,221 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 \$608,144 in distributions to investment pool participants.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2016
(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 and Enterprise Funds. The amounts excluded do not exceed expenditures of such revenues.

Description	Amount
Grants and aid from the federal government	\$ 14,262
Amounts received from the State of Arizona	12,426
Highway user revenues in excess of those received in fiscal year 1979-80	19,294
Amounts received from other political subdivisions	1,447
Amounts received for distribution to school districts	2,036
Other revenues (nonexcludable)	53,482
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 102,947</u>

Description	Amount
Amounts received from the State of Arizona	\$ 2,193
Other revenues (nonexcludable)	34
Total intergovernmental revenues as reported in the proprietary fund financial statements	<u>\$ 2,227</u>

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 \$559 in the Governmental Funds, consists of contributions revenue expended.

Note 9 - The \$5,808 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 of \$1,447 in the Governmental Funds consists of intergovernmental services expended. These services include early voting and boarding of prisoners for other governments.

Note 11 - The exclusion claimed of \$2,036 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 12 - The \$1,357 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 (\$1,258) and other financing sources (\$99) in the financial statements.

Pinal County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2016
(Amounts in thousands)

Note 13 - The subtraction of \$13,505 and (\$517) 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 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		
Highways and streets	4,771	
Health	6,566	
Sanitation	29	
Culture and recreation	2,139	
Total	\$ 13,505	
Employee Benefit Trust	-	\$ (517)
Total	\$ 13,505	\$ (517)

Note 14 - The net subtraction of (\$64) 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 \$32 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.

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, an the purchase or construction of buildings or improvements	\$ 2,716
Total prior years carryforward expended	\$ 2,716

The amount presented above as prior years carryforward was expended from the Kelvin Road Bridge Construction Fund during the current fiscal year.