



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2011



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Maricopa County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2011

Table of Contents	Page
Independent Auditors' Report	1
Annual Expenditure Limitation Report—Part I	3
Annual Expenditure Limitation Report—Part II	4
Annual Expenditure Limitation Report—Reconciliation	5
Notes to Annual Expenditure Limitation Report	6



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2011. 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 Maricopa County for the year ended June 30, 2011, 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 the County, 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.

Jay Zsorey, CPA
Financial Audit Director

May 24, 2012

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2011

1. Economic Estimates Commission expenditure limitation	\$1,184,872,908
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,156,427,070</u>
3. Amount under the expenditure limitation	<u>\$ 28,445,838</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: Shelby Scharbach, Chief Financial Officer

Telephone Number: (602) 506-1367 Date: May 24, 2012

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2011

Description	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 1,578,693,492	\$ 179,223,563	\$ 13,669,900,012	\$ 15,427,817,067
B. Less exclusions claimed:				
Debt Service requirements on bonded indebtedness (Note 2)	16,950,330			16,950,330
Debt Service requirements on other long-term obligations (Note 3)	14,973,447			14,973,447
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	3,579,467	1,052,164		4,631,631
Trustee or custodian (Note 5)	43,847,381		13,669,900,012	13,713,747,393
Grants and aid from the federal government (Note 6)	136,009,606			136,009,606
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	5,064,529			5,064,529
Amounts received from the State of Arizona (Note 8)	35,904,431			35,904,431
Quasi-external interfund transactions (Note 9)		143,317,705		143,317,705
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	13,172,426			13,172,426
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	71,096,009			71,096,009
Contracts with other political subdivisions (Note 12)	53,281,017			53,281,017
Refunds, reimbursements, and other recoveries (Note 13)	6,136,686	7,400		6,144,086
Amounts received for distribution to school districts (Note 14)	3,782,463			3,782,463
Prior years carryforward (Note 15)	<u>53,299,030</u>	<u>15,894</u>		<u>53,314,924</u>
Total exclusions claimed	<u>457,096,822</u>	<u>144,393,163</u>	<u>13,669,900,012</u>	<u>14,271,389,997</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,121,596,670</u>	<u>\$ 34,830,400</u>	<u>\$ -</u>	<u>\$ 1,156,427,070</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2011

Description	<u>Governmental 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	\$ 1,844,166,915	\$ 224,710,888	\$ 13,669,900,012	\$ 15,738,777,815
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		945,773		945,773
Loss on disposal of capital assets		3,273		3,273
Claims incurred but not reported (Note 16)		164,192,417		164,192,417
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	149,072,997			149,072,997
Long-term care contributions withheld by the State Treasurer (Note 18)	114,698,304			114,698,304
Involuntary court judgments (Note 19)	385,195			385,195
Payments made to reimburse the Arizona Department of Health Services (Note 20)	<u>1,316,927</u>			<u>1,316,927</u>
Total subtractions	<u>265,473,423</u>	<u>165,141,463</u>		<u>430,614,886</u>
C. Additions:				
Acquisition of capital assets		914,319		914,319
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)		<u>118,739,819</u>		<u>118,739,819</u>
Total additions		<u>119,654,138</u>		<u>119,654,138</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,578,693,492</u>	<u>\$ 179,223,563</u>	<u>\$ 13,669,900,012</u>	<u>\$ 15,427,817,067</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011

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 bonded indebtedness of \$16,950,330 in the Governmental Funds consists of principal retirement and interest expenditures.

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations in the governmental funds consists of principal retirement and interest expenditures of \$673,750 for certificates of participation, and principal and interest payments of \$14,299,697 for capital leases reported as general government, public safety, highways and streets, health, welfare and sanitation, culture and recreation, and education expenditures in the Governmental Funds.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$3,579,467 in the Governmental Funds consists of investment earnings, which was reported as interest income. Remaining excludable interest on investments of \$8,846,549 reported as interest income and interest on delinquent taxes of \$25,014,288, which was recorded as tax revenue, were unexpended and have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,052,164 in the Internal Service Funds consists of interest on investments, which was reported as investment income.

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$15,247,381 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care and \$28,600,000 in contributions to the State General Fund. In the Fiduciary Funds, the exclusion consists of \$13,669,900,012 in distributions to investment pool participants.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$136,009,606 consists of federal grants reported as intergovernmental revenues. Remaining excludable revenues of \$2,819,911 reported as intergovernmental revenues 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 of \$5,064,529 in the Governmental Funds consists of \$2,019,507, \$669,192, \$1,012,492, and \$1,363,338 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable revenues of \$348,419 reported as intergovernmental revenues have been carried forward to future years.
- Note 8 - The exclusion claimed for amounts received from the State of Arizona of \$35,904,431 in the Governmental Funds consists of \$33,678,022 and \$2,226,409 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$3,359,933 reported as intergovernmental revenues have been carried forward to future years.
- Note 9 - Excludable Governmental Funds revenues of \$41,018 and \$7,408 reported as charges for services and miscellaneous revenues, respectively, for quasi-external interfund transactions representing service billings were unexpended and have been carried forward to future years. In the Internal Service Funds, the \$143,317,705 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$36,191,663 were unexpended and have been carried forward to future years.
- Note 10 - The \$13,172,426 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 capital outlay expenditures for the construction of new jail facilities made from sales tax revenues approved and exempted from the expenditure limitation by county voters. Remaining accumulated revenues of \$193,046,480 were unexpended and have been carried forward to future years.
- Note 11 - The exclusion claimed in the Governmental Funds for highway user revenues in excess of those received in fiscal year 1980 is derived by subtracting the 1979-80 base year highway user fees of \$14,879,726 from the total of highway user revenues received of \$85,975,735, which was reported as intergovernmental revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011

Note 12 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$53,281,017 consists of \$4,803,025 and \$48,477,992 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$14,971,162 reported as charges for services have been carried forward to future years.

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$6,136,686 in the Governmental Funds consists of various expenditure reimbursements of \$409,787, \$2,865,301, \$2,757,388, and \$104,210 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$2,112,161 reported as fines and forfeit revenues have been carried forward to future years. In the Internal Service Funds, the \$7,400 represents miscellaneous revenues.

Note 14 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$3,782,463 reported as education expenditures for operating accommodation schools.

Note 15 - Prior years carryforward in the Governmental and Internal Service Funds 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	<u>Governmental Funds</u>	<u>Internal Service Funds</u>
Amounts received from the State of Arizona	\$ 330,708	
Quasi-external interfund transactions		\$15,894
Highway user revenues in excess of those received in fiscal year 1979-80	7,078,994	
Contracts with other political subdivisions	<u>45,889,328</u>	
Total prior years carryforward expended	<u>\$53,299,030</u>	<u>\$15,894</u>

Note 16 - The subtraction of \$164,192,417 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 Internal Service Funds. The addition of \$118,739,819 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 Internal Service Funds.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011

Note 17 - The subtraction of \$149,072,997 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts 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	
Public safety	\$ 38,323,623
Health, welfare and sanitation	21,263,325
Culture and recreation	23,069,559
Principal	4,623,150
Interest	2,039,776
Other expenditures	1,249
Capital outlay	<u>59,752,315</u>
Total	<u>\$149,072,997</u>

Note 18 - 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 19 - The subtraction of \$385,195 for involuntary court judgments in the Governmental Funds are current year payments made for court judgments against Maricopa County. These expenditures were recorded as health, welfare, and sanitation expenditures.

Note 20 - The subtraction of \$1,316,927 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the state for the cost of inpatient competency restoration treatment and part of the cost to commit an individual determined to be sexually violent by the court, as required by Laws 2010, Seventh Special Session, Chapter 10, Sections 22 and 23, which were recorded as health, welfare, and sanitation expenditures.

Note 21 - Revenue that is constitutionally excludable and unexpended in the year of receipt may be accumulated and expended in future years. A summary of the revenue balances to be expended in future years is as follows.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2011

Description	Governmental Funds Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>June 30, 2011</u>
Proceeds from other long-term obligations	\$ 12,753		\$ 12,753	
Dividends, interest, and gains on the sale or redemption of investment securities	203,804,686	\$ 33,860,837		\$237,665,523
Grants and aid from the federal government	67,147,223	2,819,911		69,967,134
Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes	3,038,779	348,419		3,387,198
Amounts received from the State of Arizona	5,642,377	3,359,933	330,708	8,671,602
Quasi-external interfund transactions: Governmental Funds		48,426		48,426
Quasi-external interfund transactions: Internal Service Funds	87,722,121	36,191,663	15,894	123,897,890
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	82,296,886	193,046,480		275,343,366
Highway user revenues in excess of those received in fiscal year 1979-80	78,694,113		7,078,994	71,615,119
Contracts with other political subdivisions	89,850,588	14,971,162	45,889,328	58,932,422
Refunds, reimbursements, and other recoveries	<u>2,028,014</u>	<u>2,112,161</u>		<u>4,140,175</u>
Total carryforward	<u>\$620,237,540</u>	<u>\$286,758,992</u>	<u>\$53,327,677</u>	<u>\$853,668,855</u>

