



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2012



Debra K. Davenport
Auditor General

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

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, 2012. 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, 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 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

June 6, 2013

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2012

1. Economic Estimates Commission expenditure limitation	\$1,135,431,492
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,135,431,491</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: Shelby Scharbach, Chief Financial Officer

Telephone Number: (602) 506-1367 Date: June 6, 2013

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2012

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	\$ 1,567,539,476	\$ 192,698,093	\$ 14,554,317,160	\$ 16,314,554,729
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	17,017,695			17,017,695
Debt service requirements on other long-term obligations (Note 3)	2,794,848			2,794,848
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	24,789,926	864,931		25,654,857
Trustee or custodian (Note 5)	46,959,500		14,554,317,160	14,601,276,660
Grants and aid from the federal government (Note 6)	133,585,913			133,585,913
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	6,597,536			6,597,536
Amounts received from the State of Arizona (Note 8)	38,789,471			38,789,471
Quasi-external interfund transactions (Note 9)	81,572	174,621,299		174,702,871
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	17,071,493			17,071,493
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	64,048,876			64,048,876
Contracts with other political subdivisions (Note 12)	31,138,901			31,138,901
Refunds, reimbursements, and other recoveries (Note 13)	8,267,405	104,000		8,371,405
Amounts received for distribution to school districts (Note 14)	3,800,755			3,800,755
Prior years carryforward (Note 15)	39,621,394	14,650,563		54,271,957
Total exclusions claimed	<u>434,565,285</u>	<u>190,240,793</u>	<u>14,554,317,160</u>	<u>15,179,123,238</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,132,974,191</u>	<u>\$ 2,457,300</u>	<u>\$ -</u>	<u>\$ 1,135,431,491</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2012

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	\$ 1,875,901,136	\$ 189,055,895	\$ 14,554,317,160	\$ 16,619,274,191
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		1,091,159		1,091,159
Claims incurred but not reported (Note 16)		125,813,828		125,813,828
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 17)	150,466,195			150,466,195
Long-term care contributions withheld by the State Treasurer (Note 18)	154,518,900			154,518,900
Involuntary court judgments (Note 19)		461,426		461,426
Payments made to reimburse the Arizona Department of Health Services (Note 20)	<u>3,376,565</u>			<u>3,376,565</u>
Total subtractions	<u>308,361,660</u>	<u>127,366,413</u>		<u>435,728,073</u>
C. Additions:				
Acquisition of capital assets		838,124		838,124
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)		<u>130,170,487</u>		<u>130,170,487</u>
Total additions		<u>131,008,611</u>		<u>131,008,611</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,567,539,476</u>	<u>\$ 192,698,093</u>	<u>\$ 14,554,317,160</u>	<u>\$ 16,314,554,729</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

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 for debt service requirements on bonded indebtedness of \$17,017,695 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 \$2,390,550 for certificates of participation, and principal and interest payments of \$404,298 for capital leases reported as general government; public safety; highways and streets; and health, welfare, and sanitation expenditures in the Governmental Funds.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$24,789,926 in the Governmental Funds includes interest income expended of \$9,775,365 and interest on delinquent taxes expended of \$15,014,561, which was recorded as tax revenue. Remaining revenues of \$129,238 and \$10,161,432, respectively, have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$864,931 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 \$20,575,000 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care and \$26,384,500 in contributions to the State General Fund. In the Fiduciary Funds, the exclusion consists of \$14,554,317,160 in distributions to investment pool participants.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$133,585,913 consists of federal grants reported as intergovernmental revenues. Remaining excludable revenues of \$2,241,068 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 \$6,597,536 in the Governmental Funds consists of \$3,706,819, \$604,979, \$1,187,951, and \$1,097,787 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable revenues of \$91,410 reported as miscellaneous revenues have been carried forward to future years.
- Note 8 - The exclusion claimed for amounts received from the State of Arizona of \$38,789,471 in the Governmental Funds consists of \$37,062,975 and \$1,726,496, reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$693,248 reported as intergovernmental revenues have been carried forward to future years.
- Note 9 - The exclusion claimed for quasi-external interfund transactions representing service billings in the Governmental Funds consists of \$81,572 reported as miscellaneous revenues. In the Internal Service Funds, the \$174,621,299 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$391,307 were unexpended and have been carried forward to future years.
- Note 10 - The \$17,071,493 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 \$1,531,277 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 \$78,928,602, which was reported as intergovernmental revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 12 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$31,138,901 consists of \$5,640,665 and \$25,498,236 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$17,300,261 reported as charges for services have been carried forward to future years.

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$8,267,405 in the Governmental Funds consists of various expenditure reimbursements of \$335,344, \$3,606,143, \$3,903,526, and \$422,392 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$724,157 reported as fines and forfeitures revenues have been carried forward to future years. In the Internal Service Funds, the \$104,000 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 \$3,800,755 recorded 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>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 28,527	
Amounts received from the State of Arizona	691,710	
Quasi-external interfund transactions		\$14,650,563
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	16,360,210	
Highway user revenues in excess of those received in fiscal year 1979-80	22,456,806	
Contracts with other political subdivisions	<u>84,141</u>	
Total prior years carryforward expended	<u>\$39,621,394</u>	<u>\$14,650,563</u>

Note 16 - The subtraction of \$125,813,828 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 \$130,170,487 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, 2012

Note 17 - The subtraction of \$150,466,195 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	\$ 35,205,527
Health, welfare, and sanitation	25,623,196
Culture and recreation	23,568,193
Principal	4,810,483
Interest	1,858,489
Capital outlay	<u>59,400,307</u>
Total	<u>\$150,466,195</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 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 \$461,426 for involuntary court judgments in the Internal Service Funds consists of payments made for court judgments against Maricopa County.

Note 20 - The subtraction of \$3,376,565 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 of commitment of an individual determined to be sexually violent by the court, as required by Laws 2011, Chapter 31, Sections 20 and 21, 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, 2012

Description	June 30, 2011 Balances	Additions	Reductions	June 30, 2012 Balances
Dividends, interest, and gains on the sale or redemption of investment securities	\$237,665,523	\$10,290,670	\$ 28,527	\$247,927,666
Grants and aid from the federal government	69,967,134	2,241,068		72,208,202
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	3,387,198	91,410		3,478,608
Amounts received from the State of Arizona	8,671,602	693,248	1,278,399	8,086,451
Quasi-external interfund transactions: Governmental Funds	48,426			48,426
Quasi-external interfund transactions: Internal Service Funds	123,897,890	391,307	14,650,563	109,638,634
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	275,343,366	1,531,277	16,360,210	260,514,433
Highway user revenues in excess of those received in fiscal year 1979-80	71,615,119		22,456,806	49,158,313
Contracts with other political subdivisions	58,932,422	17,300,261	84,141	76,148,542
Refunds, reimbursements, and other recoveries	4,140,175	724,157		4,864,332
Total carryforward	<u>\$853,668,855</u>	<u>\$33,263,398</u>	<u>\$54,858,646</u>	<u>\$832,073,607</u>

